VANQUIS Banking Group

Helping everyday people

Vanquis Banking Group plc
Annual Report and
Financial Statements 2022

Our Purpose is to help put people on a path to a better everyday life.

We do this by providing customers with opportunities to borrow in a transparent, responsible and sustainable way, so they can live their lives with access to finance.

The Group has been providing financial inclusion, which supports social mobility, to consumers whose needs are not well met by traditional lenders for over 140 years. We lend responsibly and provide tailored products and service propositions to 1.7 million customers throughout the UK.

We want to be the best and most trusted provider of finance to customers not well served by traditional lenders. Our customers who are in the mid cost and near prime markets access our broad range of credit cards, unsecured personal loans and vehicle finance products through the Vanquis and Moneybarn brands, across multiple distribution channels.

Our aim is to put our customers at the centre of everything we do, and we do this by using our strategic drivers of 'People & Culture', 'Growth & Sustainability' and 'Customer & Community' to deliver for them, our colleagues, shareholders and the wider UK community.

Our strategic roadmap

Our Purpose

We're here...

To help put people on the path to a better everyday life

Read more on pages 20 to 21

Our Vision

When we succeed, we imagine a world where...

Everyday people are able to access the financial services they need from us, no matter where they are on their journey

Read more on pages 20 to 21

Our Mission

To make this happen, we need to become...

The first-choice bank for the UK population who are excluded from accessing financial services from traditional lenders

Read more on pages 20 to 21

Our Strategy

To achieve this, our strategic focus area are...

People and Culture | Growth and Sustainability | Customer and Community

Read more on pages 22 to 23

Our ESG Priorities

And our ESG priorities are...

Delivering financial inclusion
Putting the customer at the heart of everything we do, whether we're growing our range of products, reaching new audiences or interacting with everyday people at every stage of their journey with us

Our people and culture
Creating a positive, inclusive and rewarding culture where everyone feels empowered and supported to learn, grow and succeed

Supporting social mobility
Working with our community partners to improve the lives of children and young people by providing them with access to education, social and financial inclusion, and economic development opportunities

Meeting our climate responsibilities
Playing our part in tackling climate change and supporting the UK's transition to a low carbon economy by understanding the risks and opportunities that climate change presents to our business and key stakeholders

Read more on pages 36 to 49

Highlights

Customer numbers

1.7m

⇑ 0.1m

(2021: 1.6m)

Amounts receivable from customers

£1.9bn

⇑ £0.2bn

(2021: £1.7bn)

Regulatory capital

£678.8m

⇓ £27.7m

(2021: £706.5m)

Liquidity

£478.2m

⇓ £228.7m

(2021: £706.9m)

Adjusted profit before tax – continuing operations

£126.6m

⇓ £41.2m

(2021: £167.8m)

Statutory profit before tax – continuing operations

£110.1m

⇓ £32.1m

(2021: £142.2m)

Operational carbon footprint offset[1]

100%

»»

(2021: 100%)

Certain alternative performance measures (APMs) have been used in this report (see pages 229 to 234)

1 Not including scope 3 emissions associated with suppliers' and financed vehicle emissions.

Visit: vanquisbankinggroup.com

View: Sustainability Report at www.vanquisbankinggroup.com/sustainability/sustainability-report-2022

Strategic report

1 Highlights
2 Vanquis Banking Group at a glance
5 Investment case
6 Chairman's statement
8 Chief Executive Officer's review
10 Chief Finance Officer's review
16 Sustainability overview
18 Market overview
20 Business model
22 Strategy
24 Key performance indicators
26 Credit Card Division
30 Vehicle Finance Division
33 Personal Loans Division
36 Sustainability
50 Section 172(1) statement
52 Non-financial information statement
54 Risk management and principal risks
66 Relations with regulators
67 Viability statement

Governance

69 Board leadership and Company Purpose
- 69 Chairman's introduction to governance
- 71 Our Board
- 74 Setting our strategy
- 76 Promoting long-term sustainable success: Board focus areas during 2022
- 79 The Board: our culture

82 Stakeholders
- 82 Stakeholder engagement and decision making
- 87 Effective engagement with shareholders and stakeholders: investor relations

88 Division of responsibilities
91 Composition, succession and evaluation
- 91 Board composition
- 92 Director induction and training
- 93 Assessing Board performance – annual Board evaluation
- 95 Nomination Committee Report

100 Customer, Culture and Ethics Committee Report
103 Audit, risk and internal control
- 103 Audit Committee Report
- 108 Risk Committee Report

112 Directors' Report

Directors' Remuneration Report

119 Annual Statement by the Chair of the Remuneration Committee
123 Remuneration at a glance
127 Annual Report on Remuneration

Financial statements

153 Consolidated income statement
153 Consolidated statement of comprehensive income
153 Earnings/(loss) per share
154 Dividends per share
154 Balance sheets
155 Statements of changes in shareholders' equity
157 Statements of cash flows
158 Statement of accounting policies
165 Financial and capital risk management
170 Notes to the financial statements
220 Independent auditor's report
229 Alternative performance measures

Shareholder information

235 Glossary
236 Information for shareholders

Our market-leading **products**

Vanquis Banking Group meets the needs of its customers through three products: credit cards, vehicle finance and unsecured personal loans. The credit card business offers credit cards over a wide range of price points, and retail deposits. The vehicle finance business offers secured finance on a range of vehicle types, including cars, motorbikes and light commercial vehicles. The personal loans business offers unsecured loans of between £1k and £5k over one to four years. In January 2023, we announced that we have recently launched a pilot phase for second charge mortgages.

VANQUIS Banking Group

Our Mission is to become the first-choice bank for the UK population who are excluded from accessing financial services from traditional lenders

Credit cards (VANQUIS)

- 1.54m – Customers*
- £150–£4,000 – Credit card limits
- 24.7%–39.9% – Representative APR

Read more on pages 26 to 28

Vehicle finance (moneybarn Vehicle Finance)

- 100,000 – Customers*
- £4,000–£25,000 – Loan range
- 3-5 years – Loan terms
- 15.9%–49.9% – Representative APR

Read more on pages 30 to 31

Personal loans (VANQUIS)

- 34,400 – Customers*
- £1,000–£5,000 – Loan range
- 1-4 years – Loan terms
- 18.0%–39.3% – Representative APR

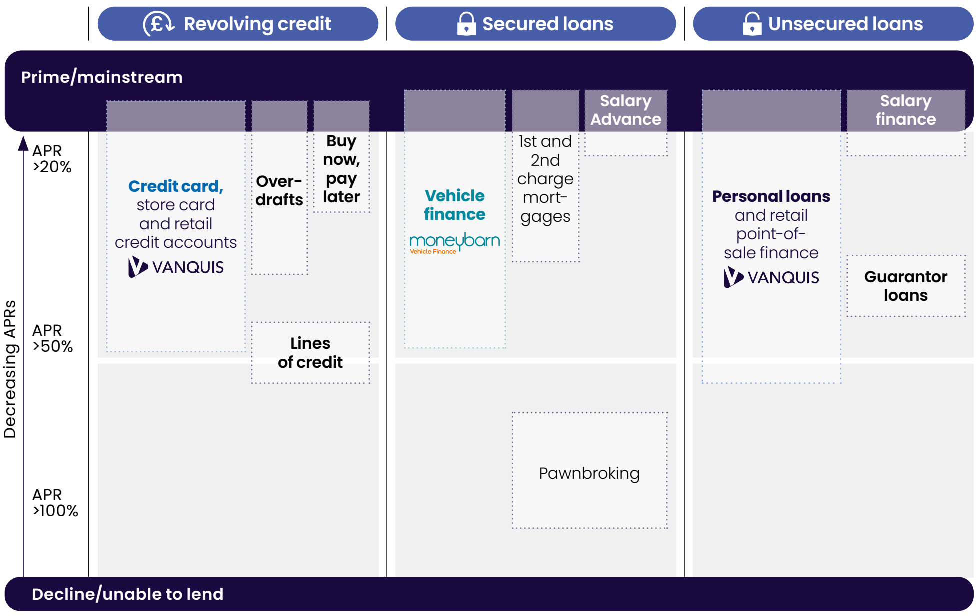
Read more on pages 33 to 34

Funded through:

- Retail deposits (fixed term deposits)
- Securitisation

* Customer numbers as at 2022 year end.

Product spectrum for the markets we operate in



We will continue to evolve our product offering through 2023, enabling us to support more consumers on their credit journey. In particular:

- We will continue to develop our unsecured loans product offering via Vanquis Bank to customers in the open market, including broadening the range of APRs offered and broadening our loan sizes and terms.
- Within vehicle finance, we continue to review our product proposition, including loan sizes, terms, APRs and asset classes. For example, today we cover cars, motorbikes and LCVs, but we aspire to broaden this to enable us to support more customers' needs.

Supporting and understanding our customers

The Group is a leading specialist banking group focused on the mid-cost and near-prime parts of the market in the UK. Our customers may not be well served by mainstream lenders for a multitude of reasons:

- Managing on below-average incomes with limited savings, meaning unforeseen expenses can be challenging
- Have variable incomes (e.g. self-employed, on a zero-hours contract, have multiple part-time jobs)
- Experienced a significant life event (e.g. job loss, ill health, divorce)
- New to credit or new to the UK and therefore have little or no credit history
- Looking to build or rebuild their credit rating
- Value a more tailored product and service

A wider range of suitable and sustainable credit products is required than is typically provided by mainstream lenders. In addition, our customers sit across a broad range of risk profiles. It is therefore important that a range of price points can be offered, increasing financial inclusion. Finally, our customers' needs and circumstances are often more fluid than those of consumers served by mainstream providers, requiring us to provide a more flexible approach.

Our customers' typical characteristics

	Credit cards	Vehicle finance	Personal loans
Income source	Full or part-time salaried (66%) or self-employed (16%)	Full-time salaried (77%) or self-employed (15%)	Full or part-time salaried (77%) or self-employed (6%)
Income level	Earning around the national average (£30k) with core spread between £20k and £50k		
Housing	20% hold a mortgage[1]	10% hold a mortgage[1]	16% hold a mortgage[1]
Typical age	46–65 years old	36–55 years old	26–45 years old
Credit score	Mid-cost/near prime	Mid-cost/near prime	Mid-cost/near prime
	Typical customer credit scores sit between 500 and 600[2]		
Savings	Circa half have material savings (enough to cover emergencies or anything unexpected)	Limited savings	Circa half have material savings (enough to cover emergencies or anything unexpected)

Source: BoxClever survey of 3,510 non-prime consumers and 2,929 Vanquis Banking Group customers, December 2019.
1 The mortgage holders' data was sourced from internal customer data.
2 Customer credit scores based on TransUnion Gauge 2 score.

Read our market overview on pages 18 to 19

The first-choice bank for those excluded from **accessing financial services from traditional lenders**

The starting point on this journey is Vanquis Bank, which, through its banking licence, will provide the anchor from which we can fund lending opportunities across the whole Group.

How our business has transformed

Over the last few years, the Group has repositioned itself towards the mid-cost and near-prime parts of the market, which has resulted in the Group's credit risk more than halving. The repositioning has involved closing down our Consumer Credit Division (CCD) in 2021 and focusing on lower risk customers. We have also sought to diversify our product offering, and thereby our credit risk profile further, through the launch of our personal loans and second charge mortgage businesses.

Where the business is now

Today, our business is fully repositioned in the mid-cost and near-prime parts of the market. The business is pursuing a customer-led strategy, with a fully embedded Purpose and Mission, which will build on our increasingly digital foundations to deliver attractive and sustainable returns to shareholders over the medium term.

Our awards

Submitted for Best Marketing Campaign and Changing Lives in the Community at The Card and Payments Awards 2022.

Shortlisted in the Social, Sustainable and Responsible Banking category at The Banker: Innovation in Digital Banking Awards for the LOQBOX partnership.

Winner of the Credit Builder Card Provider of the Year award at the Moneyfacts Consumer Awards 2021.

Read more about our awards at www.vanquisbankinggroup.com/media/awards/

Market overview

We specialise in supporting the one in five adults (10 to 12 million people) in the UK, in the mid-cost and near-prime segments of the market, who are not well served by mainstream lenders. These consumers' needs and circumstances typically change over time, resulting in the market being relatively fluid; circa 1 to 2 million consumers move in and out of the market each year.

Read our market overview on pages 18 to 19

Market composition

There are three main categories of products in our market:

- revolving credit accounts, including credit cards;
- secured loans, where an asset is used as security for the loan; and
- unsecured loans, including personal loans.

We operate in growing addressable markets

Vanquis Banking Group is a leading specialist banking group with a focus on the mid-cost and near-prime parts of the credit market. We aim to deliver attractive and sustainable returns for our shareholders through our strong market positions, robust balance sheet and competitive advantages. Our investment case is based on five key areas:

1

We are well positioned in the large and growing market segments across credit cards, vehicle finance and personal loans

In the UK, there are between 10 and 12 million working adults who are underserved by mainstream lenders. With our broad range of products and services, we are well positioned to be the credit provider of choice for these customers. In aggregate our addressable market is 13.6m customers. We also recently launched a pilot phase for a new secured product strategy of second charge mortgages.

13.6m
customers

Read more on pages 18 to 19

2

We have a Purpose-driven strategic Blueprint, which sets us up for sustainable growth

Our Blueprint brings together why Vanquis Banking Group exists as an organisation, framed in the context of the role our business plays in the lives of our customers. It also sets out the strategic focus and key priorities that will drive both competitive advantage and commercial success for the whole Group. From our recent colleague survey 83% of colleagues care about the future of Vanquis Banking Group.

83%

Read more on pages 22 to 23

3

We have a customer-centric, responsible culture

While our customers share many similarities with mainstream credit customers, there are important differences arising from their individual circumstances. Our customers need a tailored approach and a wider range of suitable and sustainable credit solutions to best serve their needs. We aim to put the customer on the team. We have invested in a brand-new IT platform that in the future will support all of our products.

New IT platform

Read more on pages 18 to 23

4

Improving customer insights is driving our customer-led strategy

Vanquis Banking Group aims to understand its customer better all the time. This customer insight is crucial for us to shape our product strategy, making sure that our customers have the products they need from us. This allows us to target more effectively our approach to marketing and spend; to tailor new products and services specifically for our customers and to help our customers build a better financial future for themselves.

New products and services

Read more on pages 20 to 21

5

Sustainable growth over the medium term

To support the delivery of our Purpose, we have a financial model founded on investing in customer-centric businesses with attractive returns, which aligns an appropriate capital structure with the Group's dividend policy and future growth plans. We will operate with a progressive dividend policy and our dividend policy is to pay out c.40% of our adjusted earnings.

c.40%

Read more on pages 36 to 49

We are a specialist banking group **focused on the mid-cost and near-prime sectors**

“

2022 was the year in which we successfully repositioned the Group towards new markets, products and customers and I am proud of what we achieved collectively.

Patrick Snowball
Chairman

Introduction

I am delighted to introduce our Annual Report and Accounts for 2022, which represents the first edition under our new corporate name – Vanquis Banking Group. The Group can trace its roots back to the 1880s, when it was established to provide credit to people who could not access services offered by traditional lenders. Today, the Group offers credit cards, vehicle finance and personal loans in the mid-cost and near-prime segments of the market and the Board deemed the previous corporate name to no longer represent the Group's interests accurately.

2022 was a transformational year for the Group as its sought to cement itself as a leading specialist banking group focused on underserved markets. The Board and executive management team built on the strategic accomplishments of 2021 to deliver a new governance structure for the Bank and new funding opportunities across the Group with the large exposure waiver from the Prudential Regulation Authority (PRA).

CEO succession

In January 2023, we announced that Malcolm Le May will be standing down mid-year and will be succeeded by Ian McLaughlin as Group Chief Executive Officer (CEO), subject to regulatory approval. Further information on Ian is available in the Nomination Committee Report at page 95. I cannot overstate the contribution that Malcolm has made to the Group over the last nine years, initially as an Independent Non-Executive Director and subsequently as Executive Chairman and, for the last five years, as Group CEO.

Malcolm was instrumental in ensuring that the Group survived the considerable stresses in 2017 and has led the subsequent restructuring and repositioning of the Group into what it is today: a specialist banking group focused on customers in the mid-cost and near-prime parts of the market. On behalf of myself and the Board, we could not be more grateful for his contribution.

Governance

The primary responsibility of the Board is the effective oversight of the Group and to determine its strategic direction and objectives. We remain committed to the highest possible standards of corporate governance and to delivering long-term, sustainable shareholder value. In February, we announced the substantial alignment of the Vanquis Bank and Group Boards to enable full alignment. In November, the Group's application for a large exposure waiver for the Prudential Regulation Authority (PRA) was approved, which represents a significant milestone towards our stated strategy of becoming a fully-fledged specialist banking group.

Shareholders

2022 marked the return of face-to-face interactions with shareholders, which I was personally very pleased to welcome back and I met with a number of our large institutional shareholders.

The main topics of discussion were the repositioning of the Group, the strategic outlook and ESG (Environmental, Social and Governance). Please see our Corporate Responsibility section for more details on the work we are doing around ESG, including how we lend responsibly to our customers and how we approach financial inclusion, on pages 36 to 49.

Our people

On behalf of the Board of Directors, I would like to extend my heartfelt thanks and gratitude to everyone across Vanquis Banking Group, including colleagues and the executive team, for all their hard work and commitment during 2022. We have successfully repositioned the Group towards new customers and markets whilst still providing excellent support to our existing customers and communities.

In April 2022, Fiona Anderson joined us as the new Managing Director of Cards bringing with her a wealth of significant experience across credit cards and personal banking from senior roles at HSBC, Barclaycard and Mastercard. She has made an invaluable contribution to the business already and I look forward to working with her during 2023 and beyond.

In August, Melanie Barnett joined the Group's Board as General Counsel and Company Secretary, having served as Deputy General Counsel for two years since joining from HSBC. I look forward to having her valued insight and expertise alongside me at the Board table.

Also, in September 2022, Nicola Lipson was appointed as Chief People Officer (CPO) and a member of the Group's Executive Committee. Nicola has been with the Group since 2018 and has held as series of senior HR roles and was most recently HR Director for Vanquis Bank. Nicola has already introduced a number of new initiatives and has led the efforts to harmonise the Group's approach to HR.

Outlook

2022 was the year in which we successfully repositioned the Group towards new markets, products and customers and I am proud of what we achieved collectively. Reflecting these achievements, the Board and I remain enthusiastic and confident about the outlook for the Group, notwithstanding macroeconomic challenges.

The provision of credit and support to our customers will remain our primary focus, enabling us to deliver our social purpose and strategic pillars (page 21), whilst also enabling us to generate long-term attractive and sustainable returns to our shareholders. Of course, this will see us continuing to provide support to our customers as we all navigate our way through the current macroeconomic conditions in the UK.

We will continue to seek new opportunities to grow the business across credit cards, vehicle finance, personal loans and our recently announced second charge mortgage product pilot, as well as potential new lending products. This clear strategic ambition is underpinned by a strong and liquid balance sheet and an aligned governance and harmonised risk management framework.

Patrick Snowball
Chairman
30 March 2023

Read more in our Sustainability Report at
www.vanquisbankinggroup.com/sustainability/
sustainability-report-2022

Delivering positive change

Throughout 2022, the Board has engaged with management on an ongoing basis to ensure that the Group continues to maintain a strong focus on the environmental, social and governance (ESG) agenda. Through the updates that have been provided to the Board during the year and by the engagement that takes place with management via the Customer, Culture and Ethics (CCE) Committee, I have been pleased with the progress that has been made in ensuring that the Group is maintaining its commitment to the ESG agenda. Highlights include:

Managing climate risk

The work undertaken by the Group to better understand the potential financial impacts of the climate-related risks and opportunities that are material to its business activities and key stakeholders, and account for all operational carbon emissions, as well as the scope 3 emissions in the Group's value chain, put the business in a good position to make progress in delivering on its net zero ambitions.

Our new Foundation

It has also been pleasing to see that the Group is going to build on the great work it already delivers in the communities it serves by establishing a new community investment programme – the Vanquis Banking Group Foundation – which will be launched later in 2023. The mission of this programme is to improve the lives of children and young people by providing them with access to education, social and financial inclusion, and economic development opportunities.

School uniform project

The Group has started work on a new project that will become a key Foundation activity, and launched a free school uniform scheme to help families with the cost of living crisis in Bradford, Liverpool, Manchester and Blackpool. The Group has allocated £100,000 of funding to longstanding community partner School-Home Support and the Dixons Academies Trust which has to date supported over 1,000 school pupils to get access to items of uniform including blazers, shoes, coats and PE kits.

By continuing to focus on the ESG agenda, the Group continues to underline the importance of its Purpose and Mission and ensure that it delivers on its Strategic Priorities of People and Culture, Growth and Sustainability, and Customer and Community.

Well positioned to support customers and **deliver sustainable growth to shareholders**

“

Vanquis Banking Group remains committed to delivering long-term, sustainable and attractive returns to its shareholders as we target the growing mid-cost and near-prime segments of the market.

Malcolm Le May
Chief Executive Officer

Introduction

2022 was another important year for the Group and one that reinforced its strategic advantages of a well-capitalised balance sheet, access to retail deposit funding and a stable net interest margin. The collective efforts of all people and teams across the organisation has enabled the Group to build on the strong foundations put in place previously and I would like to thank them all for their efforts during the year.

The continued focus of the Board and executive management team on repositioning the Group in the mid-cost and near-prime segments of the credit market has enabled the Group to commence growing its loan books meaningfully during the course of the year, notwithstanding the more challenging macroeconomic backdrop. During 2022, credit card receivables grew by approximately 11%, vehicle finance by approximately 10% and the Group's personal loans business grew its receivables by 170%, illustrating its strong competitive position and underlying demand for credit from its target customers.

The FY'22 results represent my last set of full year accounts as CEO before I hand over to my successor, Ian McLaughlin, during the summer, subject to regulatory approval. I am immensely proud to have been involved with the Group for the past nine years, firstly as an Independent Non-Executive Director and Executive Chairman, before becoming CEO five years ago. I believe it to be a fantastic organisation with a real sense of purpose and of how we can best serve our customers on their path to a better financial future. I would like to wish everyone across the Group, and Ian when he joins, all the best for the future.

Group financials

Turning to the financial results for 2022, the Group's statutory profit before tax from continuing operations was £110.1m (2021: £142.2m) reflecting higher central cost items year-on-year. The Group reported an adjusted profit before tax from continuing operations of £126.6m (2021: £167.8m), with strong receivables growth across credit cards, vehicle finance and personal loans. Whilst total income remained stable relative to 2021, volume growth led to higher impairment charges year-on-year, and the continued investment in the Group's IT, Operations and Change & Transformation agenda inflated costs relative to 2021.

Group central costs increased to £30m (2021: £18m) during the period reflecting the roll out of the shared services model, transformation & change spend increased to £35m (2021: £8m) and additional bond interest payments of £10m (2021: £nil), which includes the first full 12 months of Tier 2 interest. This strategic investment and centralisation of functions is designed to make the Group's future cost base more scalable and better able to capture the benefits of operational leverage. The investments are also designed to enhance the Group's strategic competitive positioning through new IT platforms and improved customer journeys. Total Group costs of £288m (2021: £264m) were within the indicated range given with the H1'22 results.

New customer bookings across credit cards, vehicle finance and personal loans for FY'22 amounted to 294k (2021: 249k) and, as a result, the Group had 1,675k customers (2021: 1,655k) at the end of 31 December. The Group saw positive momentum in its loan books during the second half of the year, particularly in vehicle finance and personal loans and, as a result, total receivables stood at £1,904m (2021: £1,678m) at the end of December.

At the end of December 2022, the Group's capital position remained robust with regulatory capital of £679m (2021: £707m), equating to a total capital ratio of 37.5% (2021: 40.6%). This equates to a surplus of £284m (2021: £344m) pre C-SREP release of capital above the Group's TCR and regulatory combined buffer.

Group name change

In recent years, the Group has evolved how, and to which customers, it provides credit. This has resulted in credit quality across the Group improving significantly, as illustrated by the Group's current average credit risk profile more than halving since 2019. During 2021, the Group's evolution continued and involved the closure of its home collected credit business, which carried the 'Provident' brand. The Group chose to focus on its credit cards, vehicle finance and personal loans operations in the mid-cost and near-prime parts of the market. Accordingly, the Group decided to change its name to Vanquis Banking Group plc in recognition of its new and future mix of lending products and its repositioning as a specialist banking group. The change of name from Provident Financial plc to Vanquis Banking Group plc became effective on 2 March 2023 and the Group's stock ticker on the LSE is now VANQ.

Product update

In January 2022, the Group announced that it had launched a pilot phase for a personal loans business. Then, with the H1'22 results, it announced that the personal loans business would be taken forward as a separately reported product. Since launch, the business has performed extremely well and has grown its receivables to approximately £76m as of 31 December 2022 and grown its customer numbers to approximately 34k. This progress illustrates the success of the product itself and the hard work of all the people behind the scenes who have helped to deliver the product for our customers.

As recently announced, the Group has launched another pilot phase for a new secured product offering of second charge mortgages. During the pilot phase, the Group will acquire existing second charge mortgage loans on a forward flow basis and will recognise the loans on its balance sheet as customer receivables. If the pilot phase is successful, the Group intends to start to originate its own flow of new loans directly to new and existing customers. The second charge mortgage market in the UK is a large and growing market, estimated at approximately £1.3bn and growing by between 15% and 17% per annum (Source: LEK). Second charge mortgages have the potential to improve customer outcomes and to promote financial inclusion, consistent with the Group's Purpose and Mission, whilst enabling the Group to provide attractive and sustainable returns to its shareholders.

Updated capital requirements

Shortly after the period end, the Group was notified that the Prudential Regulation Authority (PRA) had concluded its Capital Supervisory Review Process (C-SREP) of the Group's capital requirements, based on the Internal Capital Adequacy Assessment Process (ICAAP) undertaken during 2022. The outcome is that the Group's Total Capital Requirement (TCR) has reduced by more than a third, from 18.3% to 11.9%. Including the current regulatory combined buffers of 3.5% (capital conservation buffer of 2.5% and countercyclical buffer of 1.0%), the Group's overall capital requirement has reduced by 6.4% from 21.8% to 15.4%, which excludes confidential and management buffers.

The reduction in capital requirements will support the Group's focus on organic loan book growth, which is further supported by the receipt of a large limit waiver from the PRA in November 2022, enabling the use of retail deposit funding across the Group.

Environmental, Social and Corporate Governance (ESG)

During the course of 2022, the Group redefined its Mission and refreshed its Strategic Priorities. Vanquis Banking Group will work towards its Mission by focusing on the three Strategic Priorities of People and Culture, Customers and Community, and Growth and Sustainability. For further details of our approach to managing and reporting our ESG performance, please refer to our 2022 Sustainability Report.

During 2022, the Group continued to deliver on its commitment to tackle climate change and its net zero by 2040 ambition. This includes the Group accounting for all its material Scope 3 greenhouse gas (GHG) emissions and business activities and making good progress in agreeing carbon reduction targets which will be verified by the Science Based Target initiative by September 2023.

The Group remains committed to investing in the communities in which it operates and to do this is launching the Vanquis Banking Group Foundation in May 2023. This will aim to improve the lives of children and young people by providing them with access to education, social and financial inclusion, and economic development opportunities. In 2022, Vanquis Banking Group started work on a new project to help families with the cost-of-living crisis in Bradford, Liverpool, Manchester and Blackpool. Working with longstanding community partners School-Home Support and the Dixons Academies Trust, the Group has allocated £100,000 of funding which has to date supported 1,000 school pupils with items of uniform including blazers, shoes, coats and PE kits.

Finally, I'm proud that we were able to support Bradford in its quest to be named the UK City of Culture in 2025. Vanquis Banking Group was named as the first official delivery partner for Bradford 2025 and this will see the Group support the development of the cultural programme and ensure that it leaves a legacy for years to come.

Outlook

Vanquis Banking Group demonstrated strong momentum across its loan books during the fourth quarter of 2022. This positive momentum has continued for the first two months of 2023, especially within vehicle finance and personal loans. In the credit card business, customer bookings tracked in-line with management expectations and delinquency trends remained consistent with the trend reported throughout 2022. The vehicle finance business delivered strong new business volumes in January and February, with no change to underwriting standards, and with stable arrears levels. Similarly, the personal loans business has had a strong start to the year with new business volumes up significantly year-on-year.

The Group plans to accelerate its receivables growth during FY'23 versus FY'22, notwithstanding the challenging macroeconomic backdrop, supported by its strong competitive position, well capitalised balance sheet and access to retail deposit funding. The Group also plans to deliver a stable NIM profile in FY'23 versus FY'22 as more expensive legacy funding is replaced by lower cost retail deposit funding.

In order to achieve sustainable growth in the future, the Group will continue to invest in its technological capabilities and plans to invest a similar amount in FY'23 as it did in FY'22 in areas such as its new IT platforms and enhancements to customer experiences and journeys. As a result, the Group plans to incur total costs in FY'23 that are broadly flat year-on-year. However, in part reflecting the benefits of loan book growth, the Group expects its underlying cost income ratio to improve during FY'23 towards its target of 40% in FY'24, notwithstanding the persistently high inflation at present.

The Board remains committed to delivering attractive and sustainable returns to its shareholders over the medium-term. This is predicated upon the Group's solid foundations which includes a customer-led digital strategy to offer a diverse and inclusive range of products and a strong well-capitalised balance sheet. The Group's capital management framework includes a CET1 ratio target of c.20% overtime (prior to any optimisation of the capital stack), strong organic receivables growth, a progressive dividend policy with a pay-out ratio of c.40% of adjusted earnings, and the potential for selective bolt-on opportunities or one-off returns of any ongoing surplus capital to shareholders.

Malcolm Le May
Chief Executive Officer
30 March 2023

Building a more **sustainable business**

> The Group delivered a robust financial performance in 2022 with our capital and funding position remaining ahead of expectations, bolstered by the PRA approved lower capital requirement, and the increased competitive advantage of funding all products using retail deposits.

Neeraj Kapur
Chief Finance Officer

Income statement

	2022 £m	2021 £m
Interest income	486.9	473.9
Interest expense	(58.8)	(49.1)
Net interest income	428.1	424.8
Net fee and commission income	44.2	57.4
Other income	8.4	0.4
Total income	480.7	482.6
Impairment charges	(66.1)	(50.4)
Risk-adjusted income	414.6	432.2
Operating costs	(288.0)	(264.4)
Adjusted profit before tax – continuing operations	126.6	167.8
Amortisation of acquisition intangibles	(7.5)	(7.5)
Exceptional items – continuing operations	(9.0)	(18.1)
Statutory profit before tax – continuing operations	110.1	142.2
Loss for discontinued operations	(10.7)	(138.1)
Group profit before tax	99.4	4.1
Tax – continuing operations	(27.8)	(7.6)
Tax – discontinued operations	5.8	(28.6)
Profit/(loss) after tax	77.4	(32.1)

Certain alternative performance measures (APMs) have been used in this report. See pages 229 to 234 for an explanation of their relevance as well as their definition.

In line with our continued repositioning as a specialist banking group, the Group has taken the decision in the current year to change the presentation of our statutory income statement to align with the wider banking industry. All periods presented have been retrospectively re-presented. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or profit and loss in any period presented in the financial statements.

In line with these changes, the Group has implemented updated alternative performance measures (APMs). The changes to APMs are summarised on pages 229 to 234 including an explanation of their relevance as well as their definition.

Trading performance

Detailed analysis of the trading results of the Group's three operating divisions can be found on pages 26 to 28 for credit cards, 30 and 31 for vehicle finance and 33 and 34 for personal loans.

Profit before tax

The Group reported adjusted profit before tax from continuing operations of £126.6m (2021: £167.8m), with strong receivables growth across credit cards, vehicle finance and personal loans. Total income was broadly in line with prior year. Higher costs arising from investment in the transformation programme, together with higher impairments, deflated adjusted profit before tax by £41.2m. The Group continued to release Covid-19-related impairment provisions no longer required, and underlying asset quality remained high with delinquency trends remaining stable. The Group's statutory profit before tax from continuing operations, including amortisation of acquisition intangibles and exceptional items, was £110.1m (2021: £142.2m). Including CCD discontinued operations, the Group profit before tax was £99.4m (2021: £4.1m).

An exceptional cost of £9.0m was recognised in 2022. This includes:

- corporate costs incurred centrally (£3.8m);
- additional Scheme costs (£3.7m); and
- redundancy costs (£1.5m).

This compares to an exceptional cost in 2021 of £18.1m as a result of: (i) corporate costs including CCD closure (£11.5m); (ii) CCD Scheme of Arrangement costs (£5.0m); and (iii) costs in respect of the redemption of bonds (£3.9m); offset by a pension credit (£2.3m).

Discontinued operations

Discontinued operations represent the home credit and Satsuma loans businesses within the CCD, which met the criteria for classifying as discontinued operations in 2021 following the decision to withdraw from the home credit and high-cost short-term credit markets entirely and close those businesses. Discontinued operations reported a loss after tax of £4.9m (2021: loss after tax of £166.7m) reflecting the costs incurred as the business is wound up and interest arising during the first half of the year; this was partly offset by provision releases of £4.6m no longer required.

Earnings per share (EPS)

The £109.5m increase in the Group's profit after tax has resulted from a £161.8m reduction in the loss associated with the discontinued operations and from higher costs, as the Group has continued to invest to support business growth and the Group's transformation programme. These were offset by a reduction in exceptional costs of £9.1m with lower corporate costs being incurred and a reduction in costs associated with the Scheme of Arrangement.

As a result, basic earnings per share from continuing operations has decreased from 53.7p in 2021 to 32.8p in 2022. The adjusted basic earnings per share from continuing operations decreased from 57.5p per share in 2021 to 38.7p in 2022.

Asset yield

Asset yield represents interest income as a percentage of gross receivables. Interest income was £486.9m in 2022, an increase of 2.7% from 2021 (2021: £473.9m). Credit card asset yield improved from 23.8% in 2021 to 25.0%, reflecting the combination of higher interest income and lower average balances. In vehicle finance, the asset yield has increased from 20.5% in 2021 to 21.4% in 2022, reflecting the lower growth in average gross receivables as a result of the timing of new business volumes being weighted to the second half of the year. Personal loans asset yield has reduced from 28.1% in 2021 to 25.7% in 2022 reflecting the growth in the loan book during the period.

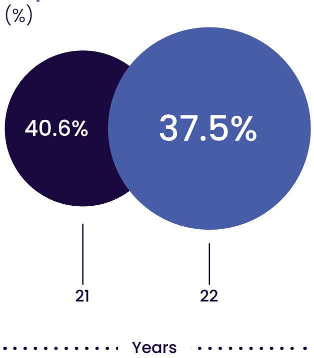
Interest expense

The Group's interest expense arises from retail deposits and funding from the Bank of England's Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) in Vanquis Bank, combined with non-bank group funding through bonds and bank borrowings. The funding cost increased from £49.1m in 2021 to £58.8m in 2022. Market savings rates and central bank borrowings in the year have increased from their historically low levels as the UK bank base rate has moved upwards, particularly towards the end of the year. This rising rate environment has impacted on the Group's funding cost. In addition, there is an increase due to the full year impact of the Tier 2 debt capital raised in 2021.

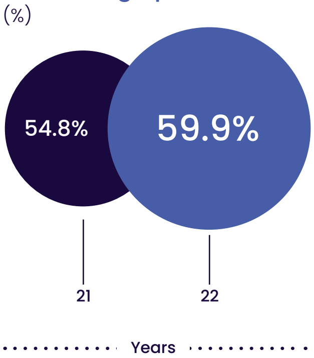
Net interest margin (NIM)

The Group's NIM, net interest income as a percentage of average gross receivables, increased by 0.5% from 20.5% in 2021 to 21.0% in 2022, reflecting the higher asset yield offset by increased funding costs.

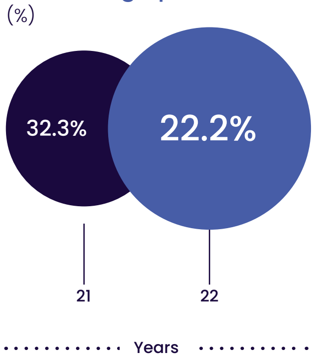
Group total capital ratio
(%)



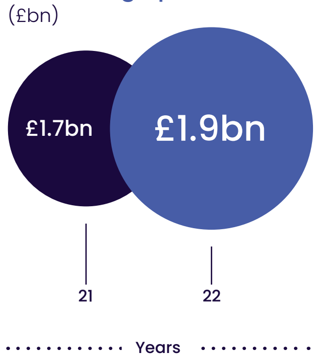
Cost:income ratio – continuing operations
(%)



Adjusted RORE – continuing operations
(%)



Receivables – continuing operations
(£bn)



Cost of risk
The Group's cost of risk, defined as impairment charges as a percentage of average gross receivables, has increased from 2.4% in 2021 to 3.2% in 2022. Both years benefited from a release of impairment provisions no longer required in credit cards, which were built up during 2020 following the onset of Covid-19. Whilst there has been further releases in 2022 these were lower than in 2021, resulting in a higher impairment charge this year.

The macroeconomic environment, particularly lower than expected unemployment, unwind of Covid-19 provisions no longer required, and refreshed SICR threshold parameters reflecting the refocus onto lower risk market segments in credit cards, are the predominant reasons for release of provision. Underlying asset quality remained high and delinquency trends remained stable, and the refocus onto lower risk market segments has reduced the provision coverage ratio for credit cards from 25% at December 2021 to 19% at December 2022.

The vehicle finance impairment coverage ratio has increased from 30% at December 2021 to 34% at December 2022 due to the absence of debt sale activity.

Risk-adjusted margin
The risk-adjusted margin, defined as risk-adjusted income as a percentage of average gross receivables, has decreased from 20.8% in 2021 to 20.3% in 2022 as a result of higher impairment charges partly offset by growth in the asset yield of the book which has improved by 1.1%.

Cost:income ratio
The cost:income ratio has increased from 54.8% in 2021 to 59.9% in 2022 as a result of the continued investment in the Group's transformation programme during a period when total income has remained broadly in line year-on-year. The temporary inflation of the cost base includes the additional investment to continue a significant transformation programme including the ongoing build of our new platform, Gateway.

Returns
Investing in capital-generative businesses remains central to the Group's business model.

The Group's adjusted return on required equity (RORE) for continuing operations has decreased from 32.3% in 2021 to 22.2% in 2022. The average required equity has decreased by £7.7m year-on-year. The decrease in RORE reflects the lower continuing adjusted PBT in 2022.

Consistent with the decrease in RORE, the Group's return on tangible equity (ROTE) has decreased from 32.2% in 2021 to 22.2% in 2022. The average tangible equity has reduced by 4.9% year-on-year.

Dividend policy
The Group's dividend policy is to pay out approximately 40% of its adjusted earnings to shareholders subject to market conditions. As a result the Board has proposed a final ordinary dividend of 10.3p per share in respect of 2022 (2021: interim dividend of 12p per share). Taken together with the interim dividend of 5.0p per share paid in September 2022, this brings the total proposed ordinary dividend to be paid in respect of the financial year ended 31 December 2022 to 15.3p per share.

Tax
The tax charge for 2022 represents an effective tax rate of 25.2% (2021: 5.3%) on profit before tax which results in a tax charge of £27.8m being recognised in the year for continuing operations (2021: £7.6m) which principally reflects:

– the mainstream corporation tax rate of 19.0% on the Group's profit before tax from continuing operations generating a tax charge of £29.4m (2021: tax charge of £23.7m);

– the mainstream corporation tax rate of 19.0% on Group exceptional items from continuing operations generating a tax credit of £0.2m (2021: tax credit of £15.3m); and

– the mainstream corporation tax rate of 19.0% on the amortisation of acquisition intangibles generating a tax credit of £1.4m (2021: tax credit of £0.8m).

The effective tax rate is principally the result of:

– the adverse impact of the bank corporation tax surcharge of £8.4m (2021: £12.2m);

– an adverse impact of £3.2m (2021: £nil) of revaluing deferred tax assets and liabilities in credit cards and personal loans for the changes enacted in 2022 which with effect from 1 April 2023 reduce the bank corporation tax surcharge rate from 8% to 3% and increase the bank corporation tax allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m. In 2021, the revaluation of deferred tax assets and liabilities for the increase in the mainstream corporation tax rate from 19.0% to 25.0% with effect from 1 April 2023 gave rise to a beneficial impact on the tax charge of £5.0m;

– the beneficial impact of tax losses of discontinued operations being surrendered as group relief to continuing operations at a discounted price which gives rise to a tax credit of £3.3m (2021: tax credit of £6.5m);

– an adverse impact of £0.9m in respect of non-deductible expenses, principally exceptional project related costs (2021: adverse impact of £0.5m);

- the beneficial impact of adjustments in respect of prior years of £3.6m (2021: adverse impact of £0.5m) which comprise a release of £4.4m following the agreement of historic tax liabilities net of a tax charge of £0.8m in respect of prior year project costs for which tax deductions may not be available. In 2021, the adverse impact of £0.5m related to adjustments to prior year deferred tax on share scheme awards;
- an adverse impact of £1.0m (2021: beneficial impact of £7.8m) related to prior year transfer pricing adjustments between continuing and discontinued operations, as well as adjustments related to prior year tax losses of the discontinued operation which were surrendered as group relief to the continuing operation at a discounted price; and
- in 2021, the beneficial impact of the release of the exceptional complaints provision in CCD following the implementation of the Scheme of Arrangement which was taxable in discontinued operations but which on consolidation was recognised in continuing operations.

Summarised balance sheet

	2022 £m	2021 £m
Assets		
Cash and balances at central banks	464.9	717.7
Amounts receivable from customers[1]	1,896.1	1,677.7
Pension asset	30.7	112.2
Goodwill and other intangibles	134.5	123.5
Other assets	129.6	93.9
Discontinued operations	—	0.3
	2,655.8	2,725.3
Liabilities		
Retail deposits	1,100.6	1,018.5
Bank and other borrowings[2]	815.4	845.2
Trade and other payables	62.6	77.1
Other liabilities	69.8	121.5
Discontinued operations	0.2	31.8
	2,048.6	2,094.1

1 Amounts receivable from customers in 2022 are presented net of £7.9m fair value adjustment for portfolio hedged risk. Underlying receivables from customers are £1,904.0m (2021: £1,677.7m).

2 Bank and other borrowings in 2022 are presented net of £4.6m fair value adjustment for hedged risk. Underlying bank and other borrowings are £820.0m (2021: £845.2m).

Assets have decreased by 3% to £2,655.8m driven by the 73% reduction in the pension asset due to the volatility in the markets following the mini budget announcement in September 2022, and cash balances reflecting more normalised levels of liquidity following steps taken to increase liquidity resources in response to Covid-19 in 2020. This was offset by the 13% growth in the receivables book. The growth in the receivables book during 2022 has also driven the utilisation of cash from operating activities.

The pension asset has reduced from £112.2m at the end of 2021 to £30.7m at the end of 2022, liabilities reduced by 38% as the discount rate increased from 1.85% to 4.80% and long-term inflation reduced from 3.40% to 3.25%. This was offset by reducing asset values which fell by 42% due to the significant fall in the value in liability driven investments which change in value in line with long-term gilt yields. The net impact of the fall in value of the pension asset, including tax, has reduced retained earnings by £63m during the period, whilst the reduction impacts distributable reserves within the Company, it has not impacted the ability to pay dividends in the year. The distributable reserves of the Company are set out in note 31.

Liabilities have decreased by 2% to £2,048.6m. Retail deposits increased by 8%, offset by non-bank group funding decreasing by 4% as the Group took the decision to early repay the revolving credit facility in March 2022.

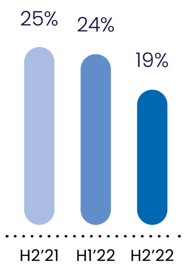
Amounts receivable from customers

- Group amounts receivable from customers increased by £226.3m (13.5%) in the year from £1,677.7m in 2021 to £1,904.0m in 2022.
- Credit card receivables increased by 11.1% to £1,181.6m (2021: £1,063.4m) as a result of higher customer spending, with spend per active customer approximately 6% higher year-on-year combined with higher customer bookings and payments remaining stable.
- Vehicle finance receivables exhibited strong growth and increased by 10.2% to £646.1m (2021: £586.2m) largely as a result of continued portfolio growth and its competitive advantage to draw upon the Group's capital and funding.
- Personal loans receivables increased by £48.2m to £76.3m (2021: £28.1m) reflecting continued growth following the successful launch of the pilot during the second half of 2021.

The Group's coverage ratio has reduced from 27% at December 2021 to 24% at December 2022 reflecting the current nature of the macroeconomic environment, the release of provision no longer required, and the strong underlying credit quality of our portfolios.

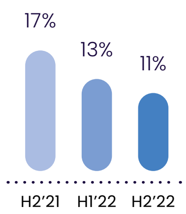
Coverage ratios

Credit cards

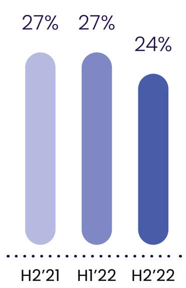


Vehicle finance

Personal loans



Group



Liquidity and funding

Historically, the Group's funding strategy was to maintain sufficient available funds and committed facilities to pre-fund the Group's liquidity and funding requirements for at least the next 12 months. On 1 November 2022, the Group received notice from the PRA that it has approved the Group's application for a Core UK Group large exposure waiver which will enable Moneybarn No.1 Limited, the Group's vehicle finance subsidiary, to access retail deposit funding via Vanquis Bank with immediate effect. This enables the transition to a traditional bank funding model in which the Group maintains access to diversified sources of funding comprising: (i) retail deposits; (ii) securitisation of the cards and vehicle finance books; (iii) liquidity and funding facilities at the Bank of England; and (iv) access to wholesale market funding and debt capital via its EMTN programme.

In 2022, the Group delivered on a number of its funding objectives:

- In line with the Group's strategy to reduce its reliance on revolving credit facilities (RCF) as a source of funds the Group took the decision to repay the RCF early on 30 March 2022 (the Group did not require the funding and did not plan to renew the facility on maturity).
- The Group has placed all surplus funds on deposit with the Bank of England via Vanquis Bank.
- The £70m loan from Vanquis Bank to Vanquis Banking Group plc was repaid on 30 June 2022, ahead of its contractual maturity.
- Vanquis Bank extended a £70m loan to Moneybarn under the existing Large Exposure Limit on 30 June 2022 (that was not waiver dependent).
- The Group completed the annual update of the Euro Medium-Term Note (EMTN) programme in October 2022.
- The Group received approval from the Prudential Regulation Authority (PRA) of a Core UK Group waiver to allow the use of retail deposits held at Vanquis Bank to fund Moneybarn No.1 Limited.

Group borrowings at the end of 2022 were £1,916.0m (2021: £1,863.7m), including £20.2m (2021: £17.7m) of interest accrued on borrowings and short-term overdrafts, but net of £4.3m (2021: £6.9m) of amortising fees and £4.6m (2021: £nil) fair value adjustment for hedged risk. Vanquis Bank accepts retail deposits and, at 31 December 2022, had retail deposit funding of £1,100.6m (2021: £1,018.5m). The Bank's retail deposit offering performed well in the year and was able to deliver the required funding base at an attractive cost compared to wholesale alternatives. The retail deposit funding has increased during the year, reflecting a funding level relative to lending and liquidity requirements.

The Group continues to adopt a prudent approach to managing its funding resources within risk appetite, and will optimise these resources when new opportunities become available to the Group.

The Group manages its liquidity in line with internal and regulatory requirements, and at least annually assesses the robustness of the liquidity requirements as part of the Group's Internal Liquidity Adequacy Assessment Process (ILAAP).

The Group uses a number of measures to manage liquidity. These include:

- the Overall Liquidity Adequacy Rule (OLAR), which is Vanquis Bank's view of the liquidity needs as set out in the Internal Liquidity Adequacy Assessment Process (ILAAP) at the Vanquis Bank solo level. Liquid resources must be maintained above the OLAR. The Group is in the process of enhancing the ILAAP to include a consolidated Group OLAR; and
- the liquidity coverage ratio (LCR), which is a regulatory measure that assesses net 30-day cash outflows as a proportion of high-quality liquid assets (HQLA).

As at 31 December 2022, the HQLA amounted to £420.5m (2021: £414.8m). HQLA have been in significant surplus to the minimum regulatory requirements throughout 2022. Vanquis Bank currently holds its liquid assets buffer, including other liquid resources, solely in a Bank of England reserve account. As at 31 December 2022, the Group, on a consolidated basis, and Vanquis Bank, on an individual basis, had an LCR of 1,139% (2021: 2,073%) and 348% (2021: 587%) respectively.

Capital

The Group is subject to supervision by the PRA on a consolidated basis, as a group containing an authorised bank (Vanquis Bank Limited). The PRA sets requirements for Vanquis Bank as an individual entity and the consolidated Group in respect of capital adequacy, liquidity and large exposures.

The Group's regulatory capital currently consists of CET1 and Tier 2 debt capital. CET1 comprises shareholders' funds, after adding back the IFRS 9 transitional adjustment, and deducting the defined benefit pension asset and intangible assets (including goodwill), all of which are net of deferred tax.

At 31 December 2022, the Group's CET1 ratio was 26.4% (2021: 29.1%) and the total capital ratio was 37.5% (2021: 40.6%). CET1 decreased from £507m to £479m during 2022 and total own funds decreased from £707m to £679m. The overall decrease in regulatory capital predominantly reflects the scheduled further unwind of the IFRS 9 transitional relief in regulatory capital. The continuing operations of the Group were CET1 generative in 2022.

The risk weighted exposures have increased by £70m year-on-year, primarily because of lending growth in 2022 offset somewhat by the strategic placement of excess liquidity held by the Company with the Bank of England (via Vanquis Bank).

The leverage ratio is defined by the Capital Requirements Regulation as Tier 1 capital divided by on and off-balance sheet asset exposure values, expressed as a percentage. The UK leverage ratio framework sets a minimum ratio of 3.25%. The Group's leverage ratio at 31 December 2022 of 21.0% (2021: 18.1%) remains comfortably above the minimum requirement.

Capital resources

The Group elected to phase in the impact of adopting IFRS 9 over a five-year period ending 31 December 2022, as permitted by regulation. This was achieved by applying add back factors of 95%, 85%, 70%, 50% and 25% for years one to five respectively to the initial IFRS 9 transition adjustment (net of attributable deferred tax) plus any subsequent increase in expected credit losses (ECL) in the non-credit-impaired book from transition to the end of the reporting period. The PRA ratified additional capital mitigation proposed by the Basel Committee, in response to Covid-19, with these measures coming into force from 27 June 2020. The measures allow for the increase in ECL in the non-credit-impaired book arising after 31 December 2019 to be fully added back in 2020 and 2021 (the 'quick-fix' measures). This relief is then phased out over the following three years on a straight-line basis, ending 31 December 2024 (2022: 75%, 2023: 50%, 2024: 25%).

The Group's capital headroom, at 31 December 2022, does not include any benefit as a result of the quick fix measures as consolidated provisions were below 31 December 2019 levels. Further information on the impact of the IFRS 9 transitional arrangements is provided in the Group's Pillar 3 disclosures available on the Group's website, www.vanquisbankinggroup.com.

Capital and capital resources	31 December 2022	31 December 2021
CET1 ratio	26.4%	29.1%
Total capital ratio	37.5%	40.6%
Leverage ratio	21.0%	18.1%
CET1	£478.8m	£506.5m
Tier 2 capital	£200.0m	£200.0m
Total regulatory capital	£678.8m	£706.5m
Risk-weighted exposures	£1,810.8m	£1,740.6m

Capital requirements

The Group operates the standardised approach to credit risk, whereby risk weightings are applied to the Group's on and off-balance sheet exposures. The weightings applied are those stipulated in the Capital Requirements Regulation (CRR). The Group's Individual Capital Adequacy Assessment Process (ICAAP) includes a summary of the capital required to mitigate the identified risks across the Group and the amount of capital that the Group has available. The Group has complied during the year with all of the externally imposed capital requirements. The overall capital requirement, set by the PRA, includes both the calculated requirement derived using the standardised approach and the additional capital derived in conjunction with the ICAAP.

In addition, CET1 capital must also cover the buffers required by the 'Capital Buffers' part of the PRA Rulebook, the UK Countercyclical Capital Buffer (CCyB) and the Capital Conservation Buffer (CCoB). These apply to all firms and are based on a percentage of total risk-weighted exposure. The CCoB remained at 2.5%, its long-term rate, throughout the year (2021: 2.5%). The UK CCyB increased to 1% on 13 December 2022, as previously announced by the Bank of England's Financial Policy Committee (FPC), and will further increase to 2.0%, its expected long-term standard level, in July 2023. This requirement for additional capital in the future has been factored into the Group's capital planning.

The Group operates within a defined capital risk appetite, with thresholds reported to and monitored by Group Board. The Board regularly reviews both the existing and forecast capital position to ensure that planned capital resources are sufficient for planned changes in the balance sheet.

Pillar 3 disclosures

As part of the regulatory supervision by the PRA, the Group, consistent with other regulated financial institutions, is required to make annual Pillar 3 disclosures which set out information on the Group's regulatory capital, risk exposures and risk management processes. A considerable amount of the information required by the Pillar 3 disclosures is included within the 2022 Annual Report and Financial Statements. The Group's full Pillar 3 disclosures can be found on the Group's website, www.vanquisbankinggroup.com.

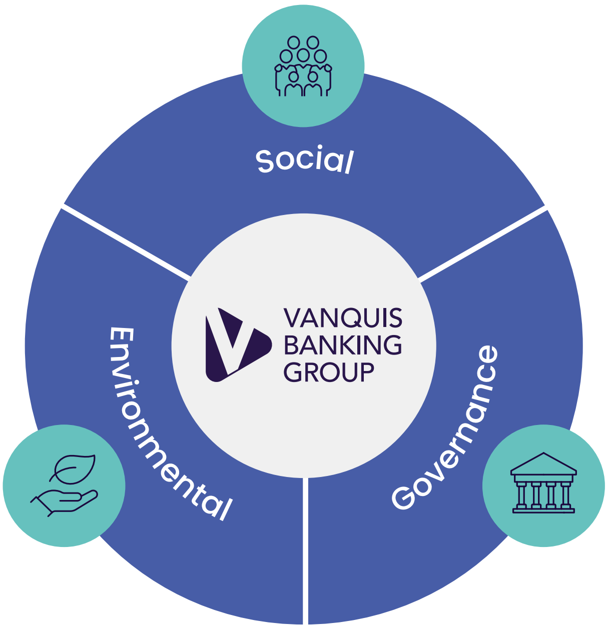
Neeraj Kapur
Chief Finance Officer
30 March 2023

Ensuring that we take **positive action on ESG matters**

At Vanquis Banking Group, we are committed to delivering products and services that help put our customers on a path to a better everyday life, as well as taking account of the wider role that the Group plays in society and the ESG issues that matter to our key stakeholders.

By continuing to follow our **Purpose of helping to put people on a path to a better everyday life**, and delivering the Mission and Strategic Priorities that relate to our people and culture, the sustainable growth of our business, and our customers and communities, which we published in autumn of 2022, the Group will meet the needs of all our key stakeholders by:

- acting on our **Mission** of becoming the first-choice bank for everyday people who are excluded by mainstream lenders by enabling them to access responsible and affordable products and services;
- focusing on our **People and Culture** and creating a great place to work where our colleagues are empowered to learn, grow and succeed in an environment that is positive, inclusive and rewarding;
- delivering **Growth and Sustainability** by making our business as effective and efficient as possible so that we can continue to deliver an outstanding service to our customers while at the same time keeping costs under control and reducing our impact on the environment; and
- supporting our **Customers and Community** by providing our customers with a great service and products that meet their specific needs, and working with our community partners to help address financial exclusion and support social mobility.



> We help put people on a path to a better everyday life by offering affordable financial services to everyday people in the UK who are excluded by other lenders. We combine our wealth of experience with accessible and responsibly designed products, and a commitment to addressing financial exclusion and supporting social mobility in our communities.

Malcolm Le May
Chief Executive Officer

Taken together, our **Purpose**, **Mission** and **Strategic Priorities** bring clarity to why Vanquis Banking Group exists, the role we play in the lives of our customers, and what drives our business to continue to innovate and grow in a sustainable way so that we can responsibly provide them with the products and services they need now and in the future.

It also underlines our commitment to responding to the needs of our stakeholders and managing and reporting our ESG performance.

By doing this, we will: champion equality, diversity and inclusion, and provide our colleagues with a working environment that is healthy, safe and meritocratic; collaborate with and treat our suppliers fairly; support the communities we serve to thrive; and support the UK to transition to a cleaner, net zero economy.

By delivering on our **Purpose**, **Mission** and **Strategic Priorities**, we will also continue to support the achievement of the following UN Sustainable Development Goals (SDGs).

No poverty

1 NO POVERTY

By 2030, to contribute to ending poverty in all its forms everywhere by ensuring our customers have access to cost-effective, responsible and appropriate products for their needs and supporting them and the communities we serve through financial difficulty.

Quality education

4 QUALITY EDUCATION

To assist in ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all by partnering with organisations that will help to equip children and young people with essential skills and knowledge that will allow them to excel.

Gender equality

5 GENDER EQUALITY

To contribute to achieving gender equality and empowering all women and girls by achieving 40% female representation in the Group's senior management population by 2024 and supporting community projects which promote gender diversity and inclusion.

Decent work and economic growth

8 DECENT WORK AND ECONOMIC GROWTH

To support the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all by creating opportunities for all generations and protecting and promoting labour rights in both our business and supply chains.

Reduced inequalities

10 REDUCED INEQUALITIES

To contribute to reducing inequality by building our capabilities to better identify, support and empower our stakeholders who may face inequality and exclusion, whether because of their age/sex/gender identity/race/ethnicity/origin/disability/ability/where they live or what their economic status is.

Climate action

13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts by achieving our net zero carbon dioxide emissions target by 2040.

Read more about the Group's sustainability strategy on pages 36 to 37, our TCFD report on pages 40 to 49 and visit www.vanquisbankinggroup.com to access our 2022 Sustainability Report for further information on our ESG activities

View: Sustainability Report at www.vanquisbankinggroup.com/sustainability/sustainability-report-2022

Trends in our market

We specialise in supporting those in the UK who are not well served by mainstream lenders.

We have a vital role to play in providing the right products, services and support as more consumers potentially find their access to mainstream lending restricted due to adverse macroeconomic conditions, cost of living and affordability pressures, and the continued reduced risk appetite from mainstream lenders. These consumers' needs and circumstances typically change over time, and circa 1 to 2 million move in and out of the market each year. Our market is robustly regulated, primarily by the FCA and PRA, with regulation subject to ongoing evolution.

There are three main categories of products in our market:

- Credit Cards;
- Unsecured Loans, including personal loans; and
- Vehicle Finance (Hire Purchase).

We will continue to evolve our product offering through 2023, enabling us to support more consumers on their credit journey. In particular:

- developing our loans products, including broadening the range of APRs, loan sizes and terms; and
- reviewing our vehicle finance proposition, including loan sizes, terms, APRs and asset classes. We cover cars, motorbikes and Light Commercial Vehicles (LCVs), but we aspire to broaden this further.

We continually analyse trends in our industry, using these insights to determine our strategic priorities. The digital revolution, further propelled by Covid-19, is changing how customers expect to be served, while we also need to adapt quickly to macroeconomic changes, the evolving competitive landscape, and the impact of cost of living pressures. Sustainability is of increasing importance to our stakeholders, and we continually review our business model to ensure our lending remains suitable and affordable for customers, in line with our regulatory and social responsibilities.

Digital revolution

2 3 P9

Key trends

- A consumer shift in buying patterns towards online and digital channels.
- Consumer expectations of a frictionless digital experience.
- The influx of new digital products such as digital-first lending and mobile banking applications.
- Increased demand for contactless payment methods and the use of digital wallets.

How we are responding

- Within Vanquis Bank, we are investing in our mobile app and Digital Wallet proposition, enabling smoother digital experiences for customers.
- Within Moneybarn, we have made considerable improvements to our customer onboarding journey, removing friction and making the process clearer and simpler.
- There is a programme of ongoing channel investment and the transition to our new IT Gateway platform should enable the unification of our product proposition.

Annual Report reference

- Pages 26-29: Vanquis Credit Cards
- Pages 30-32: Moneybarn Vehicle Finance
- Pages 33-35: Vanquis Personal Loans

Inflationary pressure – cost of living

2 3 P4

Key trends

- The UK has been experiencing a higher than targeted rise in the cost of living. The Bank of England typically targets inflation of up to 2% per annum, but CPI Inflation in December 2022 stood at 10.7% (ONS & Bank of England, 15 December 2022). Inflation has been expected to fall in 2023, but will still likely remain well above target levels.
- In particular, energy bills have risen sharply and may increase further, fuelled by the current geo-political situation. This is squeezing household incomes, including those of our customers, as wages are unlikely to keep pace.
- The affordability challenges consumers faced through 2022 and continue to face as inflation hits hard has led some mainstream lenders to tighten their assessments, increasing the size of the non-prime lending market.
- Customers may begin to experience difficulties in repayments as a consequence of the rising cost of living.

How we are responding

- We have significant experience in lending to customers who may be excluded from mainstream lenders and carry out specialist affordability and credit risk assessments.
- We offer products across a range of price points, increasing financial inclusion across the market.
- We monitor our customers' performance and use early warning indicators to highlight changing circumstances where tailored support may be required.
- We are actively reviewing and adapting our affordability approach to ensure our lending remains suitable, affordable, appropriate and sustainable.

Annual Report reference

- Pages 163-164, 182, 184, 186: Cost Of Living Accounting Judgements

Links to strategy

1 People and Culture
2 Growth and Sustainability
3 Customer and Community

Read more on our Strategy on pages 22-23

Links to risks

P Find our full list of key risks on pages 54-65

Competitive landscape

1 2 P2

Key trend

- A number of competitors in our sector have been constrained by funding due to an inability to adapt to evolving regulation, thus reducing supply in the market.
- The higher interest rate environment, together with restricted supply, has seen some competitors passing on higher interest rates to customers. We have minimised this during 2022.

How we are responding

- We have a strong balance sheet and access to low-cost retail deposit funding through Vanquis Bank. The PRA has approved our application to enable us to utilise this deposit funding more broadly across the Group.
- We are constantly exploring opportunities to diversify our retail offering and continuously assess our funding options.
- A reduction in supply presents an opportunity for us to meet consumers' unmet credit needs in a sustainable, suitable, appropriate and affordable manner.

Annual Report reference

- Pages 26-29: Vanquis Credit Cards
- Pages 30-32: Moneybarn Vehicle Finance
- Pages 33-35: Vanquis Personal Loans

Sustainability

2 3 P6 P9

Key trend

- There is increasing consumer, investor and political expectation that firms will conduct their operations in a sustainable manner.

How we are responding

- We welcome increased focus on sustainability and engage in Corporate Responsibility, making a positive contribution to our society.
- The Group reports in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), enabling us to consider the impact of climate-relate risks and opportunities.
- We work with charities and partners in the communities we serve to address issues such as debt advice, financial education and other consumer vulnerability matters.

Annual Report reference

- Pages 16-17: Environmental, Social and Governance (ESG)
- Pages 36-49: Sustainability Report

Regulatory environment

1 2 P5 P9

Key trend

- Firms need to adapt as the regulatory environment continues to evolve, for example, to the introduction of the Consumer Duty regulations coming into force in 2023-2024.
- The regulators' focus is on ensuring all lending is sustainable, suitable and affordable.

How we are responding

- We support regulation that protects consumers and maintains a fair and effective market. We continually review our business model to ensure our products remain sustainable, suitable and affordable for customers.
- We have an ongoing transparent dialogue with our regulators and have built a good relationship with them.
- A programme of activity has been established to meet the requirements of the FCA's Consumer Duty regulations coming into force in 2023-2024. The Board and Risk Committee are provided with regular updates to support their oversight.

Annual Report reference

- Page 66: Relations With Regulators

We are driven by our Purpose **to create value for our stakeholders**

Customers

Our 1.7 million customers are at the heart of what we do; they are the people in the UK who at any given time are looking for something that mainstream lenders do not offer.

- We have developed tailored products to meet their requirements through a detailed understanding of their needs and challenges.
- We carefully assess affordability and creditworthiness and are specialists in supporting customers in financial difficulty, promoting financial inclusion.
- Our CCE Committee is focused on ensuring the best outcomes for customers across all our customer interactions.

Colleagues

Our 2,000 colleagues are critical to delivering our business model. The success of the Group is dependent upon having motivated colleagues with the right expertise and skills to help deliver our strategy.

- We conduct an annual colleague survey to register sentiment and continually focus on making improvements for the betterment of our colleagues.
- We have diversity and inclusion working groups (focusing on gender, race, disability and LGBTQ+) that meet regularly and focus on ensuring the work environment is inclusive.
- We offer support to colleagues through our Employee Assistance Programme (EAP) and through the provision of the Thrive app to all colleagues.

Regulators and government

We believe maintaining an open, constructive and trusting dialogue with policymakers and regulators such as the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), is critical. We work closely with our regulators to ensure we meet all regulatory standards and contribute to a safe and robust banking system.

- Our application to the PRA allowing us to use retail deposits to fund different parts of the Group has been approved.
- During the Scheme of Arrangement, we worked collaboratively and openly with the FCA to deliver the best outcome for customers.

Equity and debt investors

We secure long-term, lower-rate funding through strong relationships with our lending banks, depositors and investors. We engage in discussions with our equity and debt investors to understand their needs and expectations leading to better outcomes over the long term and improving our sustainability.

- We interact with debt investors and shareholders through half-yearly results presentations, regular trading updates and management meetings.
- Our Board and ExCo receive regular updates from IR on market activity and investor sentiment.

Suppliers

Our suppliers are essential to provide our product lines with the goods and services required to enable us to continue to meet our customers' needs. They play a vital role in our operations so it is important that we develop strong relationships with them.

- We have previously launched a new Supplier Management Framework to engage with suppliers effectively, including having executive sponsorship for our key relationships.
- We have signed up to the Prompt Payment Code and are committed to paying the majority of our suppliers within 30 days.

Communities

Our community investment strategy is aligned to our social purpose and seeks to invest in activities and initiatives which address the key factors that tend to reduce access to credit. We have continued to work with charities and specialist partners to address key barriers to social and financial inclusion, and have played a role in helping children, young people and adults to boost their education.

- In 2022, we disbursed over £260,000 in grants to 27 voluntary organisations focusing on inequality, exclusion, disadvantage and mental health issues.
- Our CEO is an active member of the National Numeracy Leadership Council, which aims to grow the network of organisations and individuals actively addressing the issue of poor numeracy and elevate the understanding and importance of the issue at a national level.

At our core, we focus on acting responsibly and sustainably in all our stakeholder relationships:

We respond to the needs of our stakeholders by creating a fair, inclusive and diverse workplace, supporting our local communities, responding to climate change, treating suppliers fairly, and engaging with them on ESG matters.

Read more on pages 16 and 17

Fulfilling our Purpose: How we help to put people on a better path

We support financial inclusion and social mobility by lending responsibly to the financially underserved

Read more on pages 3 to 4

Customers are at the heart of what we do

1

We develop tailored products to meet customers' needs.

We focus on the UK credit market, developing simple, transparent products with flexibility to help customers manage life despite not being well served by mainstream lenders.

2

We attract customers who we can serve.

We use many ways to reach consumers including increasingly digital methods, as well as through partners such as agents and brokers.

3

We carefully assess customer affordability and creditworthiness.

We use internal and external data, taking into account both the current situation and the likely future.

4

We lend responsibly.

We tend to lend smaller amounts over shorter periods and only lend when customers demonstrate suitability.

5

We collect payments due.

We offer many ways for customers to pay or get in touch to discuss their payments. We maintain frequent customer contact and stay close to customers through our call centres and digital communications (including texts, emails and mobile app notifications).

6

We manage arrears and customer difficulties.

We establish early contact and ensure an ongoing dialogue with customers who have difficulties. This provides a sympathetic approach to understand customer circumstances and offer forbearance.

Building a
sustainable Group

Our refreshed Strategic Blueprint

Recently, we have redefined our Strategic Blueprint, to outline why we are here, where we want to get to and how we do it.

Our Purpose continues to focus on why we are here: **to help put people on a path to a better everyday life.**

Our Vision outlines our ambition: we imagine a world where **everyday people are able to access the financial services they need from us, no matter where they are on their journey.**

Our Mission is to become **the first-choice bank for people unable to access financial services from mainstream lenders.**

Our three Strategic Pillars, **People and Culture, Growth and Sustainability** and **Customer and Community** will drive our Mission to success. These three pillars ensure that all of our decisions are aligned with our values, stakeholder expectations, and the customers and communities that we serve. We will continue to be a sustainable business and will provide the products, services and support needed in the future in line with our Purpose.

1 People and Culture

We have a clear Purpose that makes a positive impact on people's lives. Our colleagues are key to our success, so we will focus on attracting and retaining the right people, making this a great place to work, and having opportunities to develop in a diverse and inclusive environment.

- We conduct an annual survey to continually focus on making improvements for our colleagues.
- We have diversity and inclusion groups (gender, race, disability and LGBTQ+) to help create an inclusive environment.
- We offer support through our Employee Assistance Programme (EAP) and the provision of the Thrive app.

Objectives

- Focusing on inclusion and development to retain and attract diverse talent that collaborates effectively in a hybrid setting.
- Re-energising investment in colleague engagement through our values and behaviours.

Performance

- **68%** colleague engagement (2021: 69%).
- **33%** senior management gender diversity (2021: 27%).
- **2.0k** employees number (2021: 2.5k).

Progress in 2022

- Hybrid working with a return to offices to meet colleague and customer needs is working successfully.
- 'One Group' business model implemented and embedded, streamlining governance and management structures.
- Revised organisational design implemented, with single shared services across Finance, HR, IT, Change, Risk and Operations.
- Specific teams and harmonised role levels created under Managing Directors for our Cards, Loans and Vehicle Finance divisions.

Challenges in 2022

- The business has been through significant structural change over the last two years, including the closure of the Consumer Credit Division (CCD) and the implementation of 'One Group'.
- A number of our colleagues have faced cost of living pressures that we have supported them through, with initiatives such as the Winter Fuel Payment Scheme.

Focus for 2023

- Talent acquisition and retention.
- Motivate our colleagues to help deliver our strategic objectives.
- Continued investment in our Diversity and Inclusion Programme.

Risks

- Information and data security risk.
- Conduct risk.
- People risk.

2 Growth and Sustainability

Through Growth and Sustainability, we will aim to be efficient and effective by focusing on seamless collaboration through connecting teams and technology.

Capital

At December 2022, the Group had capital resources far in excess of the overall capital requirement, retaining a credit rating, an extensive wholesale markets franchise, and a strong performance in debt capital markets, providing opportunities for optimising the composition of the Group's regulatory capital if desired.

Funding

The Group has a highly liquid position, holding in excess of £380m above liquidity coverage ratio requirements. We have continued to deliver on a number of funding objectives:

- in line with the Group's strategy to reduce its reliance on Revolving Credit Facilities (RCF) as a source of funds, the Group took the decision to repay the RCF early on 30 March 2022 (the Group did not require the funding and did not plan to renew the facility on maturity);
- the Group has placed all surplus funds on deposit with the Bank of England via Vanquis Bank;
- the £70m loan from Vanquis Bank to Vanquis Banking Group plc was repaid early on 30 June;
- Vanquis Bank extended a £70m loan to Moneybarn under the existing Large Exposure Limit on 30 June 2022 (this was not waiver dependent); and
- the Group received approval from the Prudential Regulation Authority (PRA) of a Core UK Group waiver to allow the use of retail deposits held at Vanquis Bank Limited to fund Moneybarn No.1 Limited, enabling the transition to a traditional bank funding model that is primarily retail funded.

Objectives

- Embedding our operating model around our brands and consolidating our products onto one platform.
- Developing technology and investing in systems.
- Cost efficient investment for sustainable growth and value-add.

Performance

- **15.3p** dividend per share (2021: 12p).
- **17.1%** return on equity continuing operations (2021: 25.6%).
- **37.5%** total capital ratio (2021: 40.6%).
- **£110.1m** statutory PBT continuing operations (2021: £142.2m).
- **38.7p** adjusted basic EPS continuing operations (2021: 57.5p).

Progress in 2022

- Acceptance of our application to the PRA to use retail deposits to fund different parts of the Group, resulting in a lower cost of funds.
- Improving the quality of our portfolio and exiting from high-risk segments.
- Transitioning our products to a new IT platform (named Gateway) following a successful pilot of Sunflower Loans.
- Broadening our propositions, including increasing the price points for our Credit Card customers, whilst remaining cost efficient.

Challenges in 2022

- Increased competition in segments such as vehicle finance, partially alleviated by the rising cost of SONIA (Sterling Overnight Index Average) on some of our competitors.
- Our customers have potentially been exposed to the cost of living challenges as the UK faces macroeconomic headwinds.

Focus for 2023

- Investing in further growth and expansion of our core product lines.
- Having an IR Programme, communicating the Group's refreshed strategy and the approval of the Capital Waiver.

Risks

- Technology and IT risk.
- Capital risk.
- Liquidity and funding risk.
- Model risk.

3 Customer and Community

By putting people at the heart of what we do, we ensure that our business is centred on our Customers and Communities, with a focus on social impact.

Supporting our Customers

The Group is well positioned to provide tailored and responsible products and services to customers who span the mid-cost, near-prime segment, including those dealing with significant life events. Short or longer-term financial difficulties can damage customers' credit files, leading to them being excluded by prime lenders. Our services help people enter or re-enter the credit market, stay in control of their finances and build up their credit scores.

Supporting our Communities

We have continued to support our communities through our Social Impact Programme, working with charities and specialist partners to address barriers to social and financial inclusion. Our assistance has taken many forms:

- establishing a School Uniform Fund helping more than 1,000 pupils;
- supporting children and adults to boost their skillset, including numeracy, literacy and school-home support;
- sponsoring the 'Bradford City of Culture' Programme in 2025; and
- disbursing over £260,000 in grants to 27 voluntary organisations focusing on inequality, exclusion, disadvantage and mental health.

During 2022, we have worked with the Outward Bound Trust, the National Literacy Trust and four community foundations to enrich the lives of our communities and make a positive social impact.

Objectives

- Building deep relationships with customers, ensuring access to products, services and support through various channels.
- Continuing our award-winning work with partners and communities.

Performance

- **1.7m** customers (2021: 1.6m).
- **£1.4m** community investment (2021: £1.4m).
- **4.6/5** credit cards CSat score (2021: 4.7/5).
- **4.3/5** vehicle finance Feefo rating (2021: 4.4/5).

Progress in 2022

- Maintained existing high levels of customer satisfaction.
- Continued investment in our communities and partnerships.
- Improving customer outcomes through the launch of digital wallets, a broader range of APRs, and the successful launch of our near-prime vehicle finance offering.
- Completed customer remediation through the Scheme of Arrangement.

Challenges in 2022

- Rising cost of living pressures impacting customers' incomes.
- Significant increases in the price and age of used vehicles purchased, due to a limited availability of new cars.
- Increased demand for our social investment support, recognising the adverse macroeconomic environment.

Focus for 2023

- Investment in community-based projects supporting numeracy and literacy.
- Continued development of our range of propositions, reflecting changes in consumer demands and needs.

Risks

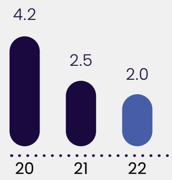
- Credit risk.
- Operational risk.
- Information and data security risk.
- Regulatory risk.
- Conduct risk.
- Business resilience risk.
- People risk.
- Model risk.

Key performance indicators

The key performance indicators (KPIs) represent the principal metrics reported to Group management on a monthly basis to support the strategic decision making across the Group.

1 People and Culture

Employee numbers (k)



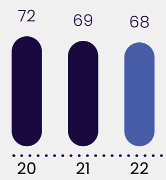
2.0k

Definition
Number of people working for the Group at year end under contracts of employment.

Strategic focus
Number of employees delivering for all stakeholders.

Comment
Employee numbers continued to decrease following the closure of CCD.

Colleague engagement (%)



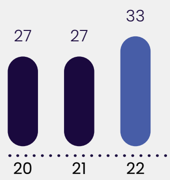
68%

Definition
A series of questions used in our colleague engagement survey which determine the degree to which colleagues feel they are invested in, motivated by and passionate about the work they do at Vanquis Banking Group.

Strategic focus
Colleagues who feel engaged at work and want to provide their views on the Group and its strategy.

Comment
Engagement across our business has held steady at 68%, down just 1% from 2021, a positive outcome given the challenging year of change and transformation experienced throughout 2022.

Senior management gender diversity (%)



33%

Definition
Improving the gender diversity of the Group's senior management population which is defined as all female colleagues with job level 14 and above.

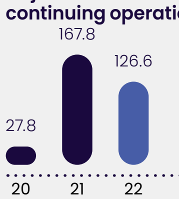
Strategic focus
Delivering a more equal, inclusive and diverse workplace, and supporting HM Treasury's Women in Finance Charter to improve gender diversity in senior positions within the financial services sector.

Comment
Throughout 2022 we have continued to drive actions to support delivering a better gender balance in senior leadership and the achievement of our 40% target by December 2024.

2 Growth and Sustainability continued

Adjusted PBT – continuing operations (£m)

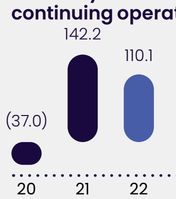
R



£126.6m
Performance

Statutory PBT – continuing operations (£m)

R



£110.1m
Performance

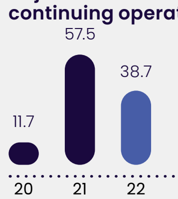
Definition
Adjusted profit before tax is stated before amortisation of acquisition intangibles, discontinued operations and exceptional items. Statutory profit before tax is stated before discontinued operations.

Strategic focus
Profits which will impact organic investment within the Group or dividend payments to the Group's shareholders.

Comment
Adjusted profit has reduced by £41.2m and statutory profit by £32.1m. Whilst total income remained stable relative to 2021, volume growth led to higher impairment charges year-on-year, and the continued investment in the Group's IT, Operations and Change & Transformation agenda inflated costs relative to 2021.

Adjusted basic EPS – continuing operations (p)

R



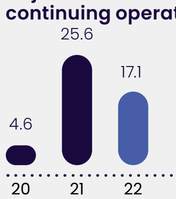
38.7p
Performance

Definition
Adjusted PBT for continuing operations divided by the weighted average number of shares in issue.

Strategic focus
Demonstrates value generated per shareholder.

Adjusted ROE – continuing operations (%)

R



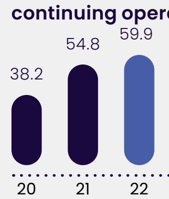
17.1%
Performance

Definition
Adjusted Return on Equity (ROE) is defined as adjusted profit after tax net of fair value gains for continuing operations as a percentage of average equity. Equity is stated after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax.

Strategic focus
Returns on equity generated show how efficiently the Group is delivering value for its shareholders.

Comment
The adjusted ROE reduced in FY'22 reflecting the reduced profitability year-on-year.

Cost:income ratio – continuing operations (%)



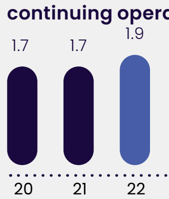
59.9%
Performance

Definition
Adjusted annualised operating costs as a percentage of annualised total income for continuing operations.

Strategic focus
Efficiency of the cost base in delivering returns.

Comment
The cost to income ratio is expected to reduce marginally in FY'23 versus FY'22, including the remaining transformation investment in the Group's businesses. It is expected to continue to reduce towards our circa 40% target from the end of 2024 onwards as the Group benefits from operational efficiencies as a result of its transformation programme.

Customer receivables – continuing operations (£bn)



£1.9bn
Performance

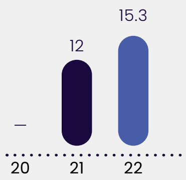
Definition
Amounts receivable from customers as reported on the balance sheet for the Group's continuing operations representing gross receivables less impairment provision calculated in accordance with IFRS 9.

Strategic focus
Amounts receivable from customers net of provisions and other items.

Comment
Net receivables have increased materially year-on-year reflecting the underlying growth in lending to customers during the period and a reduction in the stock of provisions held.

2 Growth and Sustainability

Dividend per share (p)



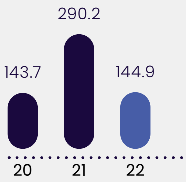
15.3p
Performance

Definition
Dividends declared in the period.

Strategic focus
Dividend returns provided to our shareholders from the value generated by the Group. Subject to market conditions the Group's dividend policy is to pay out approximately 40% of its adjusted earnings to shareholders.

Comment
The Group's total dividend of 15.3p per share represents growth of 27.5% year-on-year reflecting the strong business performance and the Board's confidence in the outlook for the Group and its capital strength.

Funding headroom (£m)



£144.9m
Performance

Definition
Available cash reserves and funding on committed facilities to fund the non-bank group businesses.

Strategic focus
Demonstrates liquidity immediately available to fund the non-bank group.

Comment
Funding headroom has decreased due to utilisation of cash surpluses at the start of the year following the issuance of £200m of Tier 2 debt capital in 2021. Furthermore, Vanquis Bank Limited has significant levels of liquidity and following the approval of the Core UK Group waiver in November 2022, can now fund other parts of the Group.

Key

Certain alternative performance measures (APMs) have been used in this report

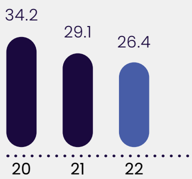
See pages 229 to 234 for an explanation of their relevance, definition and method of calculation

R Links to remuneration

Read more on pages 119 to 151

CET1 ratio (%)

R



26.4%
Performance

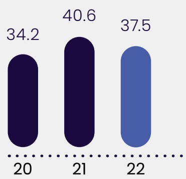
Definition
The ratio of the Group's Common Equity Tier 1 (CET1) to the Group's risk-weighted assets measured in accordance with the Capital Requirements Ratio (CRR).

Strategic focus
Demonstrates the Group's ability to withstand financial distress.

Comment
CET1 ratio has decreased in the year reflecting the scheduled unwind of the IFRS transitional relief and an increase in risk-weighted exposures (primarily amounts receivable from customers), partly offset by the underlying profit excluding discontinued operations.

Total capital ratio (%)

R



37.5%
Performance

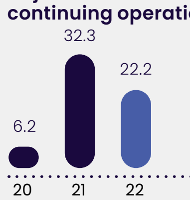
Definition
The ratio of the Group's total regulatory capital (own funds) to the Group's risk-weighted assets measured in accordance with the CRR.

Strategic focus
Demonstrates the Group's ability to withstand financial distress and the ability to facilitate future growth in risk-weighted assets.

Comment
Total capital ratio decreased in the year reflecting the scheduled unwind of the IFRS transitional relief and an increase in risk-weighted exposures (primarily amounts receivable from customers), partly offset by the underlying profit excluding discontinued operations.

Adjusted RORE – continuing operations (%)

R



22.2%
Performance

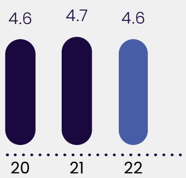
Definition
Adjusted Return on Required Equity (RORE) is defined as adjusted profit after tax for continuing operations divided by the Group's monthly average PRA regulatory capital requirement including PRA buffers for the period.

Strategic focus
Demonstrates how well the Group's returns are reinvested and is an indicator of its growth potential.

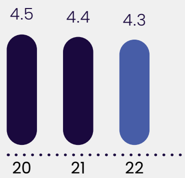
Comment
The adjusted RORE reduced in FY'22 reflecting the reduced profitability year-on-year.

3 Customer and Community

Customer satisfaction



Credit cards
4.6
CSat score (out of 5)



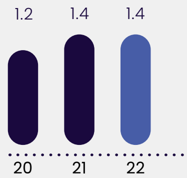
Vehicle finance
4.3
Feefo rating (out of 5)

Definition
The rate at which surveyed customers were satisfied (or more than satisfied) with the service they have been provided.

Strategic focus
Demonstrates how happy our customers are with the service they are receiving.

Comment
Customers participating in the customer surveys have continued to demonstrate they are satisfied with the service being provided.

Community investment (£m)



£1.4m

Definition
The cash cost of contributions provided to community projects or charities.

Strategic focus
Investments in the communities we serve to improve our customers' lives.

Comment
The Group has maintained the amount that is invested in the communities it serves at 2021 levels.

Fiona Anderson
Managing Director – Cards

Credit cards

The Group's credit card business, Vanquis Bank, has been operating since 2003 and has been the largest part of the Group, on a receivables basis, since 2013. It is a leading specialist lender in the large and established credit card market and has a strong capital and liquidity position. It offers a range of credit card products as well as personal loans.

VANQUIS

Market characteristics

- The credit card market is large and established. It reduced in 2020, driven by lower consumer spending during Covid-19, but rebounded strongly since then.
- Competition in the market remains stable with key competitors including Capital One, NewDay own-brand cards and the Barclaycard Forward card.
- There have been a few new entrants in recent years (Zopa and Level), although these providers are yet to reach significant scale.
- Vanquis Bank is the only specialist bank, covering the broadest range of risk categories in the market.

Market appeal

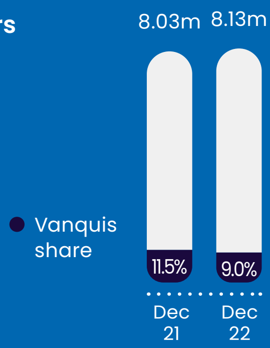
- Credit cards have high cultural adoption and acceptance in the UK, meaning a substantial and established domestic market.
- There is an ongoing customer relationship as credit cards have everyday utility as a means of transacting.
- Credit cards are growing in importance as a means of transacting given the additional protections credit cards provide to consumers (through section 75 of the Consumer Credit Act).

Model

- Credit card providers typically offer low initial limits and grow these responsibly through credit line increases.
- Consumers are predominantly acquired online, with affiliates (e.g. ClearScore, Totally Money, etc.) becoming increasingly used by consumers who want guaranteed acceptance before applying. Mobile apps have become the principal way to manage an account.
- New advancements in credit cards include the increasing use of open banking to assess affordability and digital/virtual cards.

Number of active credit card consumers in our target addressable market*

9.0%
Vanquis share



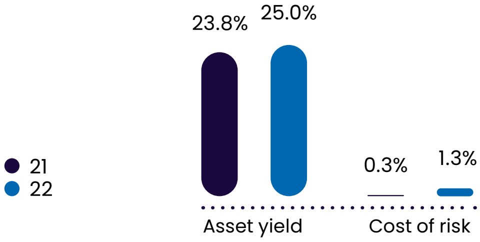
* Internal analysis of our target addressable market based on TransUnion data.

Credit cards – financial performance

Credit card receivables grew by 11% year-on-year driven by new customer acquisition and spend

- The Group's credit card business reported adjusted PBT for the year of £178.5m (2021: £173.9m) which was a result of good loan book growth, benign impairment trends and cost reductions year-on-year.
- New customer bookings for the period were 225k (2021: 199k) reflecting an increased emphasis on customer acquisition initiatives and above the line marketing efforts. The total number of customers at the end of December stood at 1.54m (2021: 1.54m).
- At the end of December, spend on a per average active customer basis was approximately 6% higher year-on-year. When combined with higher customer bookings, and payments per active customer remaining stable, this resulted in receivables growth of approximately 11% to £1,182m (2021: £1,063m).
- The annualised cost of risk at the end of December was 1.3% (2021: 0.3%) reflecting lower average gross receivables year-on-year driven by growth in receivables being weighted towards Q4'22. As a result, the risk-adjusted margin was broadly flat at 25.8% (2021: 26.0%).
- During 2023, the credit card business will continue to focus on its strategic ambitions which include growing its customer numbers and balances in a sustainable way and providing an enhanced digital experience.
- Shortly after the period end, Vanquis Bank won 'Best Benefits or Loyalty Scheme' and 'Best Customer Service' at the Card and Payment Awards and it also won the 'Changing Lives in the Community Award'.

Credit card KPIs



I first took out a Vanquis credit card for debt consolidation. I wasn't too great with my finances at Uni, as I just used to spend anything I had. But things change. My credit rating has improved a lot and now I just use my Vanquis card for everyday items, things we need for our little girl. Things like clothes, toys and the bigger purchases. Sometimes the odd treat for myself too because I know full well I can pay it off and in a sensible time frame.

Ollie
Teacher

Credit cards – financial performance continued

The Group's credit card business is a leading specialist lender in the large and established credit card market with strong capital and liquidity positions. For FY'22, the business reported adjusted profit before tax of £178.5m (2021: £173.9m) and receivables at the end of the period of approximately £1,182m (2021: £1,063m). Shortly after the period end, Vanquis Bank won 'Best Benefits or Loyalty Scheme' and 'Best Customer Service' at the Card and Payment Awards and it also won the 'Changing Lives in the Community Award'.

New customer bookings for the year were 225k, up from 199k in 2021, as a result of new customer acquisition initiatives including a broader range of price points and improved Balance Transfer offerings. Credit card customer numbers were broadly flat at 1,541k as of December (2021: 1,541k) versus a decline the year before. Active customer numbers, defined as customers with activity on their card in the last month, were 1,221k (2021: 1,266k).

During 2022, credit line increases amounting to approximately £318m (2021: £170m) were issued to customers as part of Management's strategy to rebuild the loan book on a prudent basis whilst supporting customers' additional credit requirements. At the end of December, the average utilisation rate was approximately 48%, which remains below levels seen pre-Covid-19. The business has launched several initiatives already designed to improve the utilisation rate including the launch of Android Wallet during H2'22. Receivables ended the period at £1,182m (2021: £1,063m), representing growth of 11% year-on-year.

The credit card business generated interest income of £333.2m during the year, versus £328.8m in 2021. There was an improvement in the asset yield to 25.0% (2021: 23.8%), which reflects the combination of higher interest income and lower average balances year-on-year.

Funding costs decreased to £22.4m during the year, versus £24.9m in 2021, reflecting lower retail deposit balances held year-on-year, as the amount of deposits held was normalised post-Covid-19. Net fee and commission income reduced in FY'22 to £44.2m (2021: £57.4m) reflecting the cessation of the ROP product.

The impairment charge for FY'22 was £16.8m (2021: £3.7m), an increase reflecting the growth of the loan book year-on-year, which equated to an annualised cost of risk of 1.3% (2021: 0.3%). The higher impairment charge offset the higher asset yield to produce a risk-adjusted margin which was flat year-on-year at 25.8% (2021: 26.0%).

Costs decreased to £164.8m during the year versus £184.1m in 2021 reflecting lower salary costs, an improved profile with some supplier arrangements and some centralisation of functional costs.

The credit card business grew its loan book by 11% during 2022, the highest level of growth since 2017, and it has maintained its strong capital and liquidity positions. It remains focused on enhancing its customer and digital propositions, including a new Vanquis mobile app, and improving its range of services for customers. During 2023, the credit card business will continue to focus on its strategic ambitions which include growing its customer numbers and balances in a sustainable way and providing an enhanced digital experience.

	12 months ended 31 December		
	2022 £m	2021 £m	Change
Total customer numbers ('000)	1,541	1,541	–%
Active customer numbers ('000)	1,221	1,266	(3.6%)
Period-end receivables	1,182	1,063	11.2%
Average gross receivables[1]	1,332	1,379	(3.4%)
Interest income	333.2	328.8	1.3%
Interest expense	(22.4)	(24.9)	(10.0%)
Net interest income	310.8	303.9	2.3%
Net fee and commission income	44.2	57.4	(23.0%)
Other income	5.1	0.4	1,175.0%
Total income	360.1	361.7	(0.4%)
Impairment charges	(16.8)	(3.7)	354.1%
Risk-adjusted income	343.3	358.0	(4.1%)
Operating costs	(164.8)	(184.1)	(10.5%)
Adjusted profit before tax[2]	178.5	173.9	2.6%
Annualised asset yield[3]	25.0%	23.8%	1.2%
Annualised cost of risk[4]	(1.3%)	(0.3%)	(1.0%)
Annualised return on equity[5]	32.1%	42.7%	(10.6%)

1 Calculated as the average of month end gross receivables for the 13 months ended 31 December.
2 Adjusted profit before tax is stated before £0.2m of exceptional redundancy costs in 2022 and exceptional redundancy costs of £1.0m in 2021.
3 Interest income as a percentage of average gross receivables for the 13 months ended 31 December.
4 Impairment charges as a percentage of average gross receivables for the 13 months ended 31 December.
5 Adjusted profit after tax as a percentage of average equity for the 13 months ended 31 December.

Certain alternative performance measures (APMs) have been used in this report. See pages 229 to 234 for an explanation of relevance as well as their definition.

Vanquis have been great. It was a really easy process to follow to get the card, a decent interest rate for me and I've never had any issues.

Ollie
Teacher

Customer case study

Ollie's story

I'm Ollie, I'm a teacher and I live just outside Leeds with my partner and our 8-month-old daughter.

We've recently moved to a new build with three bedrooms, a lovely garden for our little girl to grow up in, and it's not far from both our schools.

My wife's a teacher too at the same school, so we didn't move far, just far enough to find a bigger house for our new family.

I first took out a Vanquis credit card for debt consolidation. I wasn't too great with my finances at Uni, as I just used to spend anything I had. But things change. My credit rating has improved a lot and now I just use my Vanquis card for everyday items, things we need for our little girl. Things like clothes, toys and the bigger purchases. Sometimes the odd treat for myself too because I know full well I can pay it off and in a sensible time frame.

Vanquis have been great. It was a really easy process to follow to get the card, a decent interest rate for me and I've never had any issues. I'd recommend them for sure.

Watch Ollie's full interview at www.vanquisbankinggroup.com/who-we-are/our-customers/meet-ollie

David Shrimpton
Managing Director – Vehicle finance

Vehicle finance

The Group's vehicle finance business, Moneybarn, was acquired by the Group in 2014. It has since become a leading player in the vehicle finance market in UK. In addition, the expansion into the near-prime vehicle finance market in 2021 provided further opportunities for the business to support more consumers excluded from mainstream lending.

Market characteristics

- Vehicle finance is a secured product. Secured finance is a well-established and culturally accepted way to purchase big ticket items, such as a car, with the opportunity for further growth in used car acquisition.
- Customers have an incentive to maintain their repayments due to the utility of the vehicle (e.g. a car is needed to get to work).

Market appeal

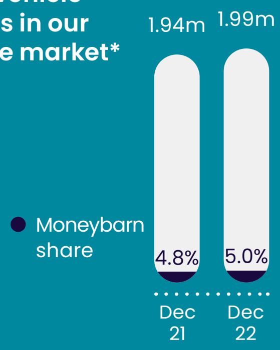
- The vehicle finance market is large and growing.
- Only 30% of used car sales are on finance, offering attractive growth prospects for lenders as finance penetration develops.
- There are numerous providers that span over a range of risk appetites (e.g. Advantage, MoneyWay and Close Brothers).
- Moneybarn has the broadest coverage of APRs in the non-prime market and its expansion into near-prime lending enables utilisation of existing capabilities to support more consumers requiring access to finance in order to purchase a vehicle.
- Moneybarn's access to lower cost funding provides a significant advantage over a number of competitors.

Model

- Vehicle finance is typically on three to five-year secured hire purchase contracts.
- Consumers in this market are not accessing finance with the manufacturer or with their bank and are typically acquired through intermediaries.
- There are typically small levels of repeat loans with the same lender.
- The technology in this market is evolving from a manual process to increased digitisation and smoother customer onboarding (e.g. auto-affordability and ID verification).

Number of active vehicle finance consumers in our target addressable market*

5.0%
Moneybarn share



* Internal analysis of our target addressable market based on TransUnion data.

Vehicle finance – financial performance

Vehicle finance adjusted PBT grew significantly in FY'22 driven by strong loan book growth and cost controls

- The Group's vehicle finance business delivered adjusted PBT for the period of £38.0m (2021: £28.9m) which represents strong loan book growth year-on-year and lower interest expense.
- At the end of December, there were 100k vehicle finance customers (2021: 93.9k) and receivables of £646m (2021: £586m), representing growth of 10%. Growth in customers and receivables year-on-year reflects the strong positioning of the business and its ability to draw upon the Group's access to capital and funding.
- Credit issued during FY'22 was £342m, a significant increase year-on-year, reflecting new business volumes increasing to 42k (2021: 37k) with vehicle pricing remaining consistent year-on-year.
- The annualised cost of risk at the end of December decreased to 6.2% (2021: 6.6%) driven by lower arrears rates during the period reflecting the focus on attracting lower credit risk customers since 2020. As a result, the risk-adjusted margin improved to 11.8% (2021: 9.9%).
- During 2023, the vehicle finance business will focus on growing its addressable market by introducing new products and services for customers including new asset classes and contract types.

The Group's vehicle finance business is one of the leading suppliers of vehicle finance to non-prime customers in the UK. For the 12 months to the end of 31 December 2022, Moneybarn generated adjusted profit before tax of £38.0m (2021: £28.9m) and receivables at the period end were £646m (2021: £586m), representing growth of 10% year-on-year.

New business volumes in FY'22 grew by 14% versus 2021 at 42k (2021: 37k) notwithstanding the challenging macroeconomic backdrop. As a result, the vehicle finance business ended the year with 100k customers for the first time in its history (2021: 93.9k). As a result of its focus on higher-quality customers on average, and the robust pricing environment seen in the used-car market throughout 2022, the average loan size increased to approximately £9k whilst maintaining average loan to values consistent with 2021, which drove total credit issued to over £342m after unwinds (2021: £287m).

At the end of December, receivables stood at £646m (2021: £586m), driven by the improvement in business volumes year-on-year, particularly during the second half of the year.

Interest income during FY'22 increased to £140.6m (2021: £137.9m) reflecting the growth in the loan book year-on-year. The annualised asset yield increased year-on-year to 21.4% versus 20.5% in 2021, reflecting the fall in average gross receivables year-on-year as a result of the timing of new business volumes being weighted to the second half of the year.

Interest costs decreased during the year to £22.1m from £27.1m in 2021, reflecting a lower cost of funding received from the Group during the period, including the intercompany loan from Vanquis Bank. As a result, the net interest margin improved at the end of December stood at 18.0% versus 16.5% a year earlier.

	12 months ended 31 December		
	2022 £m	2021 £m	Change
Total customer numbers ('000)	100.0	93.9	6.5%
Period-end receivables	646.1	586.2	10.2%
Average gross receivables[1]	656.6	671.1	(2.2%)
Interest income	140.6	137.9	2.0%
Interest expense	(22.1)	(27.1)	(18.5%)
Net interest income	118.5	110.8	6.9%
Total income	118.5	110.8	6.9%
Impairment charges	(40.8)	(44.6)	(8.5%)
Risk-adjusted income	77.7	66.2	17.4%
Operating costs	(39.7)	(37.3)	6.4%
Adjusted profit before tax[2]	38.0	28.9	31.5%
Annualised asset yield[3]	21.4%	20.5%	0.9%
Annualised cost of risk[4]	(6.2%)	(6.6%)	0.4%
Annualised return on assets[5]	3.6%	3.0%	0.6%

1 Calculated as the average of month end gross receivables for the 13 months ended 31 December.
2 Adjusted profit before tax is stated before £0.2m of exceptional redundancy costs in 2022 and exceptional Senior bond buy-back costs of £1.4m in 2021.
3 Interest income as a percentage of average gross receivables for the 13 months ended 31 December.
4 Impairment charges as a percentage of average gross receivables for the 13 months ended 31 December.
5 Adjusted profit after tax as a percentage of average total assets for the 13 months ended 31 December.

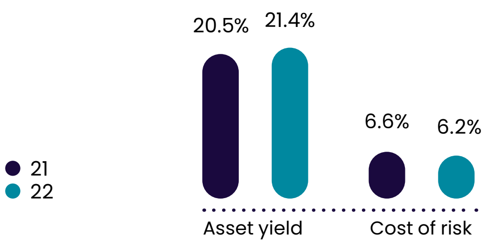
Impairment fell year-on-year to £40.8m (2021: £44.6m) as a result of the business' focus on lower risk customers in recent years coupled with a small amount of provision release. As a consequence, the annualised cost of risk decreased to 6.2% from 6.6% in 2021. This resulted in the risk-adjusted margin improving to 11.8% (2021: 9.9%).

Costs increased during the course of the year to £39.7m (2021: £37.3m), albeit by a much-reduced rate versus the previous year, reflecting the significant increase in lending volumes year-on-year and the additional service costs associated with the higher volumes.

During 2023, the vehicle finance business will focus on growing its addressable market by introducing new products and services for customers including new asset classes and contract types.

Certain alternative performance measures (APMs) have been used in this report. See pages 229 to 234 for an explanation of relevance as well as their definition.

Vehicle finance KPIs



> Moneybarn were brilliant. Very simple, great communication, the documentation came through quickly, just really efficient. I can't fault them.
>
> **Lee**
> Customer service manager

Customer case study

Lee's story

I'm Lee, I'm 51 and I'm a customer service manager for an IT software company working in Manchester. I currently live in a 3-bedroom semi with my wife, my two children and our rescue dogs that we adopted last year.

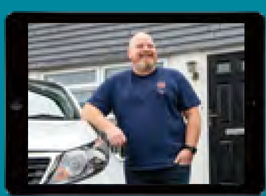
I use my car every day for school runs, youth club, various activities, Dad's taxi if you like. There's always something going on when you've got two kids!

Before I got my car finance from Moneybarn, I had a four-seat convertible Audi, then Covid-19 changed everything and we moved to Manchester. My daughter moved in, we adopted Alfie, and then adopted two dogs from overseas who had been abandoned and mistreated. We went from a family of two to a family of six, very quickly, so we needed a bigger car.

In the past, I had some financial trouble, so our lenders were restricted when it came to us finding the right car for us. Moneybarn were just brilliant from the off. They put us at ease, they told us how much we'd be paying out in total. They were very thorough in their approach to make sure everything was affordable for us.

Moneybarn were brilliant. Very simple, great communication, the documentation came through quickly, just really efficient. I can't fault them.

It's given us the ability as a family unit to be able to go to places like camping at the weekend. We know at the drop of a hat we now have access to a vehicle to do what we want.



Watch Lee's full interview at www.vanquisbankinggroup.com/who-we-are/our-customers/meet-Lee

Hamish Paton
Managing Director – Personal loans

Personal loans

The Group's personal loans business was launched towards the end of 2021. 2022 therefore represents its first 12 months as a standalone division. It offers personal loans to new and existing Vanquis Banking Group customers through affiliates and intermediaries.

Market characteristics

- The personal loans market is substantial and growing.
- The business operates under the Vanquis Bank brand on the open market through intermediaries and affiliates such as ClearScore.
- Providers operate at a range of price points (circa 15 - 50% APR) enabling consumers with a broad range of risk profiles to access unsecured loans.
- There have been a number of new near-prime entrants (e.g. Lendable and Chetwood Financial) in recent years.

Market appeal

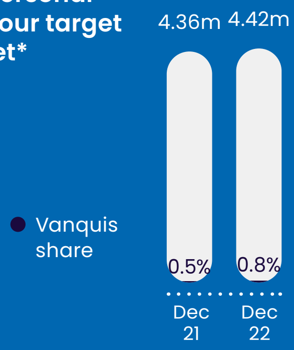
- The non-prime personal loans market is substantial in size and growing.
- Personal loans have high cultural adoption and acceptance in the UK.
- Offering personal loans provides the opportunity to leverage core skills in loans and allows Vanquis Banking Group to meet more of its existing customer needs.
- In addition, Vanquis Banking Group has strong access to funding, low cost of funds and considerable capital strength versus competitors in this market, providing an opportunity for it to meet a greater level of the demand in the market.

Model

- We offer personal loans over one to five years across a broad range of APRs.
- Personal loans are typically taken to meet a specific one-off need.
- Customers are acquired increasingly through internet affiliates, with customers then typically managing their account through an online login or mobile app.

Number of active personal loan consumers in our target addressable market*

0.8%
Vanquis share



* Internal analysis of our target addressable market based on TransUnion data.

Personal loans – financial performance

Personal loans continued to grow in FY'22 with receivables and customer growth of 172% and 73%

- 2022 was the first full year of operations for the personal loans business, following the successful launch of an initial pilot phase in H2'21.
- The Group's personal loans business delivered a loss before tax of £15.7m for the period (2021 loss before tax: £8.7m) reflecting growth in the business year-on-year and continued investment in the IT platform supporting it, known as Gateway.
- As of 31 December 2022, the business had 34k (2021: 20k) customers and total receivables of approximately £76m (2021: £28m).
- The new IT infrastructure platform will continue to support the personal loan product and is capable of housing multiple products over time. It will provide customers with a single, holistic view of all product offerings in future.
- During 2023, the personal loans business will focus on continuing the migration of its loans offering onto the new Gateway platform, exploring new partnership agreements and assessing opportunities to evolve its pricing and product proposition.

Vanquis Banking Group established a personal loans business during 2021 to diversify its product offering to new and existing customers. Its products are positioned within the mid-cost credit segment of the market, and loans range from between £1k-£5k over one to four years. The typical personal loan customer will be similar in nature to existing credit card and vehicle finance customers with similar average credit scores. The business grew both customer numbers and receivables strongly during FY'22, reflecting the successful launch of the business and its market position.

New business volumes during FY'22 were 27k, versus 12.8k in 2021, reflecting the business' first 12 months as an open market operator. As a result of these new customer bookings, the businesses ended the year with 34.4k customers versus 19.9k at the end of 2021. At the end of December, receivables stood at £76.3m versus £28.1m at the end of 2021, driven by new business volumes increasing significantly year-on-year.

The personal loans business generated interest income of £13.1m during the year (2021: £7.2m) driven by higher average receivables year-on-year as the business grew strongly throughout the period. The asset yield for the year was 25.7% versus 28.1% in 2021, reflecting the growth in the loan book during the period.

The impairment charge for FY'22 increased to £8.5m, from £2.1m in 2021, as the business began to gain scale and book new customer loans. This equated to an annualised cost of risk for the year of 16.7% (2021: 8.2%), which resulted in the risk-adjusted margin falling to 6.7% versus 16.8% for the prior year.

Interest costs for the year increased to £1.2m, versus £0.8m in 2021, reflecting higher average balances being carried, equating to an interest margin of 2.4% versus 3.1% in 2021. Costs increased during the course of the year to £19.1m (2021: £13.0m), reflecting higher new business volumes and the ongoing investment in the new IT infrastructure platform known as Gateway.

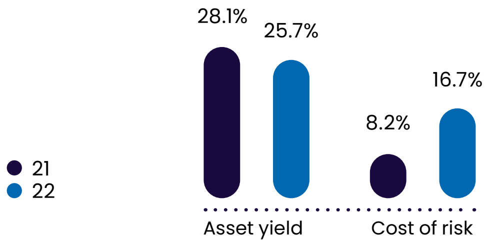
	12 months ended 31 December		
	2022 £m	2021 £m	Change
Total customer numbers ('000)	34.4	19.9	72.9%
Period-end receivables	76.3	28.1	171.5%
Average gross receivables[1]	50.9	25.6	98.8%
Interest income	13.1	7.2	81.9%
Interest expense	(1.2)	(0.8)	50.0%
Net interest income	11.9	6.4	85.9%
Total income	11.9	6.4	85.9%
Impairment charges	(8.5)	(2.1)	304.8%
Risk-adjusted income	3.4	4.3	(20.9%)
Operating costs	(19.1)	(13.0)	46.9%
Loss before tax	(15.7)	(8.7)	80.5%
Annualised asset yield[2]	25.7%	28.1%	(2.4%)
Annualised cost of risk[3]	(16.7%)	(8.2%)	(8.5%)

1 Calculated as the average of month end gross receivables for the 13 months ended 31 December.
2 Interest income as a percentage of average gross receivables for the 13 months ended 31 December.
3 Impairment charges as a percentage of average gross receivables for the 13 months ended 31 December.

During 2023, the personal loans business will focus on continuing the migration of its loans offering onto the new Gateway platform, exploring new partnership agreements and assessing opportunities to evolve its pricing and product proposition.

Certain alternative performance measures (APMs) have been used in this report. See pages 229 to 234 for an explanation of relevance as well as their definition.

Personal loans KPIs



> I came to get a Vanquis loan because my husband has got a Vanquis credit card. So, we know the brand, we know the company and we needed a bit extra to help us get some necessary plastering done on the house.

Tracy
ICU nurse

Customer case study

Tracy’s story

Hi, I’m Tracy, I’m 48 and I’m a full time ICU nurse working in Glasgow. I love the work that I do, I’ve got to be quite organised, know the ins and outs of all the equipment and my patients’ needs. I just don’t always know whether I’ll be helping someone with a post-op recovery or helping with an unexpected trauma when I get to work that day.

My main hobby is going on holiday. Me and my husband try to get away two to three times a year if we can, but when I’m not planning holidays I like to watch all sorts on Netflix.

I live with my husband in a private rental which needs a bit of TLC at the moment. That’s why I’ve taken out a Vanquis loan, we needed some home improvements doing.

I came to get a Vanquis loan because my husband has got a Vanquis credit card. So, we know the brand, we know the company and we needed a bit extra to help us get some necessary plastering done on the house. There was a little bit left over from us having the work done so we’re putting that towards a holiday in Morocco.

I like to repay my loans early, so I’ll start overpaying on that as soon as we get back from our holiday.

Creating better **everyday lives**

Taken together, our **Purpose**, **Mission** and **Strategic Priorities** bring clarity to why Vanquis Banking Group exists, and the role we play in the lives of our customers. They also underline our commitment to responding to the needs of our key stakeholders, and managing and reporting our environmental, social and governance (ESG) performance.

Malcolm Le May
Chief Executive Officer

At Vanquis Banking Group, our **Purpose**, **Mission** and **Strategic Objectives** underpin everything we do and decisions we take as an organisation. They enable us to focus on the long-term success of our business by ensuring that we:

- operate our business of lending to our current and future customers in a responsible manner by ensuring that we provide them with the credit products and services that meet their particular needs and deliver fair outcomes to them throughout their journey with us; and
- act responsibly and sustainably in all our stakeholder relationships by creating a fair, inclusive and diverse workplace, supporting our local communities, reducing our impact on the environment and taking action on climate change, treating suppliers fairly, and engaging with the Government and our investors and regulators on ESG-related matters.

Governance and management

ESG matters are an important part of the Group's overall strategy for which the Vanquis Banking Group plc Board is responsible. As such, the Board receives regular updates on a range of ESG topics including community investment, climate risk and diversity and inclusion. The Board is also supported by the CCE Committee, which monitors the Group's culture, stakeholders' expectations and evolving corporate governance requirements.

Read more on pages 100 to 102

The Executive Committee plays an important role in supporting the management and reporting of ESG issues as it reviews and approves programmes of activity and associated budgets. The Group also has cross-functional working groups in place which oversee the climate risk agenda and support the delivery of the Group's Inclusion and Wellbeing Strategy.

The Group's sustainability strategy and the ESG programmes that are delivered via it are aligned to the Paris Climate Agreement and the UN Global Compact, and support the delivery of the UN SDGs.

No poverty

Vanquis Banking Group objective

By 2030, to contribute to ending poverty in all its forms everywhere, by ensuring our customers have access to cost-effective and appropriate products for their needs and supporting them through financial difficulty.

FY'22 highlights and achievements

We primarily contribute to this Goal by delivering on our Purpose of helping to put people on a path to a better everyday life and responsibly providing our 1.7 million customers with credit cards and loans through our Vanquis business and vehicle finance products through Moneybarn. We also support the financial inclusion agenda through our Foundation by providing grants to charities and specialist partners to address issues like customer vulnerability, product accessibility and financial difficulties. In 2022, we also contributed to the achievement of this SDG by working with longstanding partner IncomeMax to launch a new online platform which provides customers with digital access to one-to-one, expert advice to help maximise their income. We also continued to fund the Money Charity to provide information, advice and guidance to people of all ages so that they develop money management skills and increase their financial wellbeing. In 2022, this enabled the charity to deliver: 209 hours' worth of financial education workshops to 4,948 young people; and 78 hours' worth of financial wellbeing workshops to 954 adults. In providing this much needed support, the Money Charity prioritises supporting the most disadvantaged students and hard to reach groups. In 2022, 83% of participants came from disadvantaged groups.

Quality education

Vanquis Banking Group objective

By 2030, to contribute to ensuring inclusive and equitable quality education and promote lifelong learning opportunities for all by partnering with organisations that will help to equip children and adults with essential skills and knowledge that will allow them to excel in many different directions.

FY'22 highlights and achievements

We continue to contribute to this SDG through the work we support with our education partners. Through our longstanding partnerships with National Numeracy, the National Literacy Trust and Leading Children, we have supported a number of programmes which aim to boost the literacy and numeracy skills of children and young people. We are also committed to ensuring that children do not lose out on their education because of the current cost of living challenges that many families are dealing with. This is why we set up funds with School-Home Support and the Dixons Academies Trust which have supplied essential items of school uniform to more than 1,000 students across Bradford, Liverpool, Manchester and Blackpool in time for the start of the autumn 2022 term.

Gender equality

Vanquis Banking Group objective

By 2024, to have 40% female representation in the Group's senior management population.

FY'22 highlights and achievements

The Group's senior management population currently has 33% (2021: 27%) female representation. The key actions we undertook throughout 2022 to support this SDG include: ensuring gender balanced shortlists when recruiting for all senior leadership roles across Vanquis Banking Group; hosting events to challenge and change behaviour/mindsets around, equality, diversity and inclusion. This has included: delivering 'Menopause in the Workplace' sessions, helping colleagues benefit from increased menopause awareness, guidance and support; continuing to adopt hybrid working models and enabling colleagues to work with greater flexibility, ensuring they have the support they need. We have also continued to support a Gender Affinity Group as part of our Company-wide Inclusion Community.

Through our Foundation, we also support projects which aim to empower women and girls. For example, in 2022, through our partnership with the London Community Foundation we provided funding to the female-led charity, Believe, which will enable it to deliver a leadership programme to disadvantaged young women in Lewisham, South London, so that they improve their social and economic outcomes, whilst taking control of their lives. In addition, through our partnership with the Hampshire and Isle of Wight Community Foundation, we are funding the Avenue Centre in Southampton to deliver a programme that will support socially deprived young mums to overcome a range of challenges from domestic and financial abuse to asylum and mental health issues.

Decent work and economic growth

Vanquis Banking Group objective

By 2030, to contribute to promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all by creating opportunities for all generations and protecting and promoting labour rights in both our business and supply chains.

FY'22 highlights and achievements

We continue to support this Goal, which is aligned with our Purpose, by funding the delivery of activities and initiatives in the communities we serve via our Foundation. In 2022, this involved providing funding to Bradford Community Broadcasting (BCB) to engage with and support children and young people to increase their oracy and digital skills, confidence and self-esteem, and widen their life chances, aspirations and educational outcomes through becoming radio broadcasters and producers for the broadcasts on BCB Radio. We also provided funding to the Portsmouth Sail Training Trust, which is close to where our vehicle finance business is based, to deliver maritime industry training and skills development for disadvantaged young people from its local community. Finally, we continued to support and participate in the Social Mobility Business Partnership which delivers a programme that aims to remove barriers, develop skills and provide experiences to sixth form and college students from disadvantaged backgrounds so that they can pursue careers in the legal and professional services sectors. In 2022, the overall programme supported more than 500 16 to 18 year-old students, with Vanquis Banking Group hosting 11 students from schools and colleges next to its Bradford head office.

Reduced inequalities

Vanquis Banking Group objective

By 2030, to contribute to reducing inequality by building our capabilities to better identify, support and empower our stakeholders who may face inequality and exclusion whether it is because of their age/sex/gender identity/race/ethnicity/origin/disability/ability/where they live or what their economic status is.

FY'22 highlights and achievements

We support this Goal by providing funding to a range of projects through our Foundation which seek to reduce inequalities. For example, in 2022, we provided funding to Horn Stars in Brent, North West London, to deliver its Youth Zone project, which is a twice weekly safe space for 9 to 19 year-olds comprising youth club sports activities and monthly trips reaching 100 young people experiencing deprivation. We also supported the Free2B Alliance, a London-based community organisation, which supports LGBTQ+ young people and their parents by increasing their wellbeing, resilience and social connections, and by reducing isolation and improving family connections. Our funding also supports the delivery of LGBTQ+ awareness training in schools and other organisations to promote inclusivity. In terms of seeking to maintain an inclusive and diverse workplace at Vanquis Banking Group, we continue to do this via our Group-wide Inclusion Community, which comprises five aligned Affinity Groups focused on Disability, LGBTQ+, Gender Balance, Ethnicity and Social Mobility. These groups currently have over 70 active and representative members, as well as an extensive network of Affinity Group allies, and help to coordinate work across the Group to celebrate, learn and increase awareness around an extensive range of inclusive and diversity-related events.

Climate action

Vanquis Banking Group target

To achieve net zero carbon dioxide emissions by 2040 target, support the UK's transition to a net zero economy and take urgent action to tackle climate change and its impacts.

FY'22 highlights and achievements

During 2022, we have continued to reduce our impact on the environment by improving the energy and resource efficiency of our operations and understanding and reporting the actual and potential impacts of climate-related risks and opportunities on the Group. We have also taken a number of important steps that support our net zero target. These include: accounting for all the scope 3 GHG emissions that are material to our business activities so that we can report accurately, working towards setting accurate science-based targets to support the delivery of our overall net zero by 2040 target; publishing a second report which meets the TCFD recommendations; and evolving our approach to carbon offsetting so that we achieve carbon reduction from the planting/preservation of natural habitats.

Visit: vanquisbankinggroup.com

View: Sustainability Report at www.vanquisbankinggroup.com/sustainability/sustainability-report-2022

Measuring and reporting
our ESG performance

We have developed a range of non-financial measures to assess, manage and report the embedding of our **Purpose**, **Mission** and **Strategic Priorities** as well as our performance against our ongoing ESG objectives and targets.

Regular progress reports and updates are provided to the Group Executive Committee, Board and CCE Committee. These measures also support us to meet non-financial reporting requirements under sections 414CA and 414CB of the Companies Act 2006 (see pages 52 and 53) and inform the remuneration of the executive directors, which is, in part, linked to our progress towards the Group's ESG objectives and targets.

More details of this are set out in the Directors' Remuneration Report (DRR) on pages 127 to 151

	Objective	Measure	Performance in 2022
Customers	Customer outcomes are positive and consistent with our Purpose, Mission, Strategic Priorities and culture.	Levels of customer satisfaction.	Credit card: 4.6/5 (2021: 4.7/5). Vehicle finance: 4.3/5 (2021: 4.4/5).
		Number/percentage of customer complaints.	Total number of complaints: 29,188 (2021: 66,516). Number of complaints referred to the FOS: 3,154 (2021: 13,313). Number of FOS complaints upheld in the customer's favour: 835 (2021: 8,581).
Colleagues	Our colleagues are engaged with and supportive of the Group's Purpose, Mission, Strategic Priorities and culture.	Colleague engagement score as measured by annual colleague engagement survey.	Over colleague engagement score: 68% (2021: 69%).
		Better Everyday Index score which relates to the Group's culture and the way we treat customers and colleagues.	Better Everyday Index score: 60% (2021: 63%).
Communities	Positively impact the lives of the people in the communities we serve, particularly children and young people, by providing them with access to education, social and financial inclusion, money advice and economic development opportunities.	The amount invested per year to support community programmes, money advice programmes and social research, including the number of grants distributed to grass roots community organisations.	£1.4m invested to support community programmes, money advice programmes and social research (2021: £1.4m). 1,014 hours volunteered by colleagues during work hours (2021: 425).
The environment	Continue action to reduce our impacts on the environment, particularly in relation to climate change.	Absolute scope 1 and 2 greenhouse gas (GHG) emissions.	Scope 1 and 2 emissions: 1,017 tonnes of CO_2e (2021: 1,239 tonnes of CO_2e), a reduction of 18%. Total scope 1 and 2 (and associated scope 3) emissions: 1,348 tonnes of CO_2e (2021: 1,648 tonnes of CO_2e), a reduction of 18%.
		The progress of our work in meeting the recommendations of the TCFD.	We have continued to report in line with the recommendations of the TCFD. Refer to pages 40 to 49 for more information. We will also, by Q2'23, set science-based targets that will focus on reducing our scope 1 and 2 GHG emissions and engaging with our top suppliers by spend to reduce their own GHG emissions.

For further details on our ESG activities and progress against 2022 targets, refer to our 2022 Sustainability Report and corporate website.

Supporting and engaging **our colleagues**

At Vanquis Banking Group, we care about people and recognise the importance of investing in the culture and experience for our 2,005 colleagues. By creating, supporting and sustaining engaged and motivated teams, we will be in the best position to deliver on our **Purpose**, **Mission** and **Strategic Priorities** which will not only ensure that we continue to deliver positive outcomes for our customers, but also support our colleagues throughout their career journeys with us.

We know that our people perform at their best when they are part of a culture that is encouraging, supportive and inclusive. By embedding our **Purpose**, **Mission** and **Strategic Priorities** across the Group and engaging our colleagues in meaningful ways, our aim is to create a great place to work and to inspire all our colleagues to contribute to the sustainability of Vanquis Banking Group.

Be Yourself – Our Inclusion and Diversity Programme

At Vanquis Banking Group, our ambition is to build and sustain an inclusive culture which celebrates and values differences, and ensures that all colleagues can be themselves, have a voice and can reach their full potential. We know that when we have this culture, and our workforce is diverse, it ensures that our colleagues are more engaged, motivated and committed to better deliver for the diverse customer base we serve.

To support us in meeting our ambition, our People Function works across the Group to provide our colleagues with access to training and development opportunities so that they can develop the skills they need and promote a healthy and safe working environment where they can be themselves and feel engaged.

Inclusion and diversity data as at 31 December 2022*

– 18% (2021: 20%) of colleagues informed us that they had a disability or long-term health condition
– 17% (2021: 19%) of colleagues informed us that come from a Black, Asian, other White or Minority Ethnic background
– 6% (2021: 7%) of colleagues informed us that they were part of the LGBTQ+ community
– 17% (2021: 17%) of colleagues were eligible for free school meals when growing up

* This data is based on colleagues' voluntary self-declaration via our November 2022 colleague engagement survey which accounts for 79% of the Vanquis Banking Group workforce.

Gender diversity at Vanquis Banking Group

An important area of focus for our Inclusion and Diversity Programme is on improving gender diversity. Throughout 2022, we have continued to drive action to support our business to achieve a better gender balance in our senior management population and, in doing so, ensure that we meet our Women in Finance Charter 40% by December 2024 target.

As of December 2022, the representation of women and men in the Group's workplace is as follows:

	Total	No. of women	% of women	No. of men	% of men
Board	9	4	44%	5	56%
Executive Committee	11	4	36%	7	64%
Senior management population	122	40	33%	82	67%
All workforce	2,005	1,003	50%	1,002	50%

Be Open – Listening to our colleagues

Engaging with, and gathering feedback from, our colleagues is key to nurturing and growing a people centric culture, and ensuring that we have policies (see the Non-Financial Information Statement on pages 52 and 53), processes and initiatives in place to help them thrive. We continue to carry out an annual colleague survey to find out what colleagues think and feel about working for Vanquis Banking Group. The most recent survey was undertaken in November 2022 and had a response rate of 79% (2021: 71%). Scores for overall colleague engagement and in relation to our Better Everyday Life index (this is about the Group's culture and the way we treat customers and colleagues), which have held steady despite a challenging a year of change and transformation, are set out below:

- our overall colleague engagement score in 2022: 68% (2021: 69%); and
- our Better Everyday Index score in 2022: 60% (2021: 61%).

Our Colleague Forum

We also have in place a Colleague Forum which is made up of 42 elected representatives who are drawn from across all areas of our business and ensure that the voice of colleagues is factored into decision making processes and fed back to the Board through our Designated Non-Executive Colleague Champion (see page 86 for more information).

Taking action on **climate change**

We recognise that the growth and sustainability of our business depends on the resilience of our operations, supply chains, and the communities where our customers and colleagues live and work.

This means that it is essential we minimise our environmental impacts and work with others to take action on the globally important issue of climate change. This means embracing the Paris Agreement and keeping global warming to no more than 1.5°C above the temperature set before the beginning of the Industrial Revolution. This requires the Group to transition to a low carbon economy and contribute to building a resilient future, and creating new businesses and jobs. Our commitment to do this is underpinned by our ambition to achieve net-zero carbon dioxide emissions by 2040.

As we progress towards our 2040 target, we will continue to identify, analyse and report material climate change-related risks and opportunities and their financial impact on the Group, in line with the TCFD's four recommendations and eleven recommended disclosures.

Reporting in line with the TCFD recommendations

We have continued to make progress in terms of reporting in line with the TCFD's recommendations and enhanced our disclosures since our Annual Report and Financial Statements 2021. In publishing a climate-related financial report in our Annual Report and Financial Statements 2022, the Group has made a disclosure that is fully consistent with the following TCFD recommendations and recommended disclosures: governance (disclosures (a) and (b)), strategy (disclosures (a), (b) and (c)), risk management (disclosures (a), (b) and (c)), and metrics and targets (disclosure (b)). We will be fully consistent with metrics and targets disclosures (a) and (c) following the conclusion of the work we are currently undertaking to set targets that will be approved by the SBTi. The work required to ensure that the Group is fully consistent with these outstanding recommended disclosures will be undertaken throughout 2023. In publishing a compliance statement which makes clear which recommended disclosures we are fully consistent with, and which we continue to work towards, Vanquis Banking Group complies with the FCA's Listing Rule 9.8.6R(8). We will ensure that we continue to work towards applying all the TCFD general and supplemental guidance to the approach we take to understanding, managing and reporting of climate-related risks and opportunities, as well as in publishing future TCFD reports.

Recommendation 1: Governance and management of climate-related risks and opportunities

In this section, we set out how our Board, its committees and senior management team assess, manage and report climate-related risk and opportunities, as well as monitor and provide rigorous challenge to the Group's progress against the goals and targets that have been set in relation to the climate change agenda.

Disclosure 1a): How the Board oversees climate-related risks and opportunities

The Vanquis Banking Group plc Board has overall accountability for the delivery of the Group's strategy and reviews sustainability performance and ESG considerations, including matters which relate to the climate change agenda. The Board receives two updates on the ESG agenda per year in the form of papers that are submitted and discussed by Board members. During 2022, these included updates in relation to the Group's net zero ambitions and the strategy that is in place to manage climate-related risks and opportunities. This enabled the Board to review and consider an analysis of the scope 3 GHG emissions that are material to our business activities. This, in turn, resulted in the Board having an input into which category of scope 3 GHG emissions should be considered by the Group when setting the science-based carbon reduction targets that will be set and approved by the SBTi later in Q2'23. In 2022, the Board also discussed and considered the metrics and associated thresholds that will be used to support the appetite statement that has been defined for climate risk, which is one of 13 principal risks within the Group's Risk Management Framework (go to pages 54 to 65 for more information).

The Board delegates responsibility for the oversight of the management of a number of ESG-related matters to its CCE Committee and Audit Committee. The Board's CCE Committee supports the Board in providing oversight of the Group's approach to managing and reporting its impact on the environment, which includes considering climate-related impacts on strategy, major plans of action, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance. The process in place that enables the CCE Committee to oversee the climate-related risk agenda and its application to the Group and its stakeholders, involves submitting papers to its members for discussion and approval. The CCE Committee is provided with two updates on climate-related issues per annum. During 2022, the two updates provided to this Committee enabled its members to oversee the Group's ongoing compliance with the FCA's Listing Rule to ensure that its report was consistent with the recommendations of the TCFD, monitor the progress being made in developing the SBTi-approved carbon reduction targets that will be set for the Group, and assess the climate-related metrics that are included in the remuneration scorecard for executive directors (more details of this are set out in the DRR on pages 127 to 151). Finally, the Board's Audit Committee, which provides oversight of, and approves, the non-financial performance information that is included in the Group's Annual Report and Financial Statements, receives a paper on an annual basis which enables its members to review and approve the content of the Group's TCFD reports, as well as the controls and mitigating processes in place that support the management of climate-related risks (see below).

Further information on our governance framework is outlined in the Governance Report on pages 68 to 151 and more detail on the roles of the Board and its committees is set out in the matters reserved for the Board and its committees' terms of reference, which are available in the corporate governance section of our corporate website (go to www.vanquisbankinggroup.com for more information).

Disclosure 1b): How management assesses and manages climate-related risks and opportunities

Vanquis Banking Group's CEO, with support from the Executive Committee, continues to provide management oversight of the progress being made by the Group in managing its strategic ESG objectives, including those that relate to climate change. This includes reviewing and updating associated risk management policies, and setting and monitoring climate-related performance objectives.

The structures in place to manage climate-related matters continued to be reviewed and updated during the year reflecting the increasing importance of climate change to the Group and its stakeholders.

The cross-functional Climate Risk Committee (CRC), which is chaired by the Group's Chief Risk Officer, and includes members from the risk management, operations, finance and sustainability teams, provides guidance and direction for the assessment and management of climate change-related risks and opportunities that are material to the Group and its stakeholders to support the Group's ongoing compliance in meeting the recommendations of the TCFD. During 2022, the CRC supported the evolution of the Group's approach to scenario analysis, creation of metrics to accompany the climate risk appetite statement, and development of a methodology to calculate the Group's financed emissions (scope 3, category 15) arising from the vehicle finance business. The CRC is supported by the Group's Enterprise Risk Management processes which enables the business to identify, assess and manage all risks, both existing and emerging, that may impact our strategic objectives and relevant stakeholders. They also assist the CRC in the process of analysing the risks and opportunities that climate change presents to the Group's operations and stakeholders. The CRC reports to the Executive Committee on the Group's response to the issue of climate change biannually, and its work is reviewed by the Board and its committees through the updates that are provided to its members.

Progress against the mitigating activities and controls in place which relate to climate risk was subject to independent and objective review by the Group Internal Audit function in FY'22 and will continue to be reviewed throughout FY'23.

Recommendation 2: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

Our strategy is to ensure that the management of climate-related risks and opportunities is an integral part of our overall business strategy and the decision making processes that relate to areas such as operational resilience, customer service, and supply chain management. Our net zero by 2040 ambition is underpinned by an outline transition plan which sets out how we will reduce our GHG emissions (see page 45 for more information).

In this section, we therefore focus on describing our key climate-related risks and opportunities, and our assessment of their potential to impact our business, as well as the resilience of our strategy and stakeholders to such impacts. This assessment has been undertaken using scenario analysis. This involves: identifying physical and transition risk scenarios; linking the impacts of the scenarios to financial risks; assessing any sensitivities to those risks; and extrapolating the impacts of those sensitivities to calculate an aggregate measure of exposure and potential losses.

Reporting in line with the TCFD recommendations continued

Recommendation 2: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

2a) The climate-related risks and opportunities in the Group's business, strategy and financial planning

Our approach to scenario analysis

Our scenario analysis takes account of both the transition and physical risk categories that are associated with climate change.

Transition risks	Physical risks
These risks are driven by the combination of policy drivers and technological innovations. They allow for feedback loops such as tax revenue recycling as well as interactions within and between sectors and regions.	These are driven by gradual physical risks in the form of temperature effects on operations and productivity, and by the increase in frequency and severity of extreme weather events.

Our analysis makes use of the Group's financial forecasts, operational footprint, customer data, supply chain information and environmental data, to create a representation of Vanquis Banking Group. This information is combined with industry reference scenarios on climate-related emission pathways (Representative Concentration Pathways (RCPs)), including assessments by the Intergovernmental Panel on Climate Change and International Energy Agency, to consider the potential impact of physical and transition risks on the Group. These pathways represent a broad range of climate outcomes and are neither forecasts nor policy recommendations. In our scenario analysis, we have adopted the following identified scenarios:

Average temperature rise relative to pre-industrial levels by 2100	Scenario description
Scenario 1 – Early Action (RCP1.9)	Where action is taken to limit the global temperature to below 1.5°C in an orderly manner. In this scenario, it is anticipated that there will be strict product and regulatory standards, high carbon pricing and strategic investment in low carbon technologies. There is also likely to be a high level of consumer buy-in.
Scenario 2 – Late Action (RCP4.5)	Where progress towards a low carbon economy is partial, leading to a global temperature increase of between 2°C and 4°C. It also assumes that physical risks will increase, with an intensification of natural disasters associated with, for example, rising sea levels and more frequent abnormal weather events.
Scenario 3 – No Additional Action (RCP8.5)	Where there are no actions taken to tackle the climate change.

Over the course of 2022, our scenario analysis methodology has evolved to use quantitative information which has enhanced our assessment of the potential financial impacts of climate change on Vanquis Banking Group, and is supporting us to make improvements to our disclosures. We have also redefined our time horizons as follows:

Time horizons	Description
Short term (S) (0-5 years)	This time horizon accounts for the financial and operational planning we use, as well as the goal date for the science-based target(s) we will set in 2023.
Medium term (M) (5-15 years)	This time horizon takes account of whether the transition to net zero is progressing or failing, and whether exposure to any physical risks is being adequately priced-in.
Long term (L) (15-20 years)	This time horizon takes into account our net zero by 2040 target and enables the effects of physical risks to assets and liabilities to be reflected.

The detailed scenario analysis is based on a time horizon which has a short-term outlook of five years. This enables us to use resultant findings to influence the decision making process regarding our strategy, revenues and costs. We generally apply a three-year time horizon to our financial and operational planning, as we would expect most of our current business development projects to be completed in a three-year period. This time period has been extended to five years using a growth assumption, so that it can, in addition to taking into account our financial and operational planning, align more closely with our strategic plans. Beyond five years, there is significant uncertainty around the impact of climate-related risks as much depends on the speed and effectiveness of the transition to a net-zero economy. Despite this, our scenario analysis does include a high-level review of how we may be impacted by climate change in the medium and long term.

In analysing the results of our scenario analysis, we have used a financial impact to represent the estimated loss to the Group's revenues over the next five years assuming that no mitigating action is taken. This impact has been rated in the following way:

High	Medium	Low
A loss impacting the profit and loss statement by more than 20% and/or by more than £20m	A loss impacting the profit and loss statement by between 10% and 20% and/or between £5m and £20m	A loss impacting the profit and loss statement by between 5% and 10% and/or by between £1m and £5m

While scenario analyses are not predictions, and are not typically associated with likelihoods, our analysis has used the following likelihoods which have enabled us to generate and apply a risk rating of either High, Medium or Low to each of our scenarios:

Probable	Possible	Remote
Expected to occur in most circumstances (i.e. >50% chance)	Not expected to occur but occur periodically (i.e. >25% chance)	May occur only in exceptional circumstances (i.e. less than 2% chance)

This, in turn, has enabled us to combine the impacts and likelihoods to determine the following risk ratings:

		Impact		
		Low	Medium	High
Likelihood	Probable	Medium	Medium	High
	Possible	Low	Medium	High
	Remote	Low	Low	Medium

The guidance for banks published by the TCFD in 2021 requires us to disclose information on significant concentrations of credit exposure to carbon-related assets. The TCFD makes it clear that these assets are those tied to energy, transportation, materials and buildings, and agriculture, food and forest products sectors. Given the reference that is made in the guidance to transportation, which could be interpreted to encompass the loan products offered by the Group's vehicle finance business, it is suggested that this part of Vanquis Banking Group is more susceptible to the risks associated with climate change. In particular, the transition risks associated with the introduction in the UK of a total ban on the sale of new petrol and diesel cars and vans by 2030, the requirement for vehicles to be 100% zero emissions from 2035, and the implementation of ultra-low emission zones and clean air zones in UK city centres.

The Group is committed to working to understand the risks associated with those parts of the Group that are sensitive to the impacts from climate change. That said, the Group's credit exposure to the assets that are purchased through the loan products that our vehicle finance business offers, is considered to be limited given that the vehicle finance we offer is typically on three to five-year secured hire purchase contracts. We also continue to monitor the list price of used electric vehicles (which continues to be a barrier to ownership for many of our customers) and explore the development of new finance products that will enable our customers to transition from internal combustion engine cars to battery electric vehicles (BEVs).

2b) The impact of climate-related risks and opportunities on the Group's business, strategy and financial planning
The results from our scenario analysis, along with the actions we will take in response, are set out below, and we have considered the impact of climate change in the preparation of our financial statements which can be seen on page 163.

Transition risks and opportunities									
	Policy and legal risks			Reputation risks			Policy and market opportunities		
Scenario	RCP1.9	RCP4.8	RCP8.5	RCP1.9	RCP4.8	RCP8.5	RCP1.9	RCP4.8	RCP8.5
Risk rating	Low	Low	Low	Low	Low	Low	High	Low	Low
Description	These risks have scope to arise as policy/regulatory actions around climate change continue to evolve. These actions vary depending on intent and financial impact. They seek to constrain activities that contribute to the adverse effects of climate change or promote adaptation to climate change (e.g. the continued implementation of a carbon price). For the Group, changes in carbon price could present an increased cost risk. Carbon price provides an indication of the level of transition risks in these scenarios. The Bank of England explains the term 'carbon price' as depicting a shadow price of GHG emissions, i.e. the marginal abatement cost of an incremental tonne of emissions. This is a simplification, intended to capture a range of different policies to reduce GHG emissions, which may include, for example, carbon taxes, cap-and-trade schemes, green subsidies and environmental regulations.			Climate change has been identified as a potential source of reputational risk. Stakeholder perceptions will continue to evolve depending on how companies respond to the climate change agenda. Negative changes in stakeholder perceptions can therefore lead to losses in market value.			The impacts of climate change will have implications for the supply and demand of certain commodities, products, and services. Market risks include everything from changes in supply and demand to increased costs for inputs such as water and energy. While some of these impacts may be hard to predict, understanding the climate-related risks and opportunities on the supply chain will be key to mitigating these market risks.		

Reporting in line with the TCFD recommendations continued

Recommendation 2: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

2b) The impact of climate-related risks and opportunities on the Group's business, strategy and financial planning continued

Transition risks and opportunities continued

	Policy and legal risks			Reputation risks			Policy and market opportunities		
Likelihood	**Probable**	**Possible**	**Remote**	**Probable**	**Possible**	**Remote**	**Probable**	**Possible**	**Remote**
Impacts	We analysed how the ongoing implementation of carbon pricing might result in increased costs associated with our operations and travel and transport. In 2021, the carbon emissions resulting from the consumption of electricity and gas across the Group accounted for 435 tonnes of CO_2e using the market-based approach to reporting. Our analysis shows that there is potential for carbon price to have an impact on the cost of our energy consumption in the short term with a higher carbon price needed to achieve scenario RCP1.9.			There is potential for stakeholders to engage in activism in the short to medium term with companies which are perceived to be not supporting the shift to a low carbon economy or if the Group fails to deliver or sufficiently drive change through its net zero target by 2040. This could contribute to decreasing revenue or market share.			There is an opportunity for us to develop a new business model that introduces new products to the customers which accommodate their needs and meets emerging climate-related policies (e.g. to enable our vehicle finance customers to purchase BEVs). The affordability of BEVs continues to be the main barrier to ownership for the Group's vehicle finance customers. The average loan amount for our vehicle finance customers stood at £8,771 in 2022. According to Thisismoney.co.uk, the average sale price for a three-year old BEV car in November 2022 was £26,000, with a four to six-year old costing £15,600 on average. Of the over 100,000 'live' customers that are served by our vehicle finance business, 111 have purchased a BEV car, and 7 a BEV light commercial vehicle. Take-up of BEVs is also influenced by the ability of our customers to access a reliable charging infrastructure. Figures from the Department for Transport indicate that there are now 33 electric vehicles for every charge point in the UK, compared with 16 at the start of 2020.		
Time horizon	L	M	S,M,L	S,M,L	L	L	M,L	L	L
Financial impact	Low	Low	Low	Low	Low	Low	High	Low	Low
Methodology	According to The Bank of England, in its 2021 Climate Biennial Exploratory Scenario exercise, carbon price is predicted to increase from \$30 per tonne of CO_2e as of today to around \$900 by 2050 in the UK and EU in the RCP 1.9 scenario, to remain at \$30 in the short/medium term and increase significantly to over \$1,000 by 2050, and to remain at \$30 in the RCP 4.8 and RCP 8.5 scenarios, respectively. We have also considered the extent to which carbon price increases may have financial implications for our customers (i.e. whether carbon price increases impact gas and electricity costs which, in turn, impact customer default rates).			According to the Bank of England, UK and EU net carbon dioxide emissions are expected to fall significantly by 2050 in the RCP 1.9 scenario, less so under the RCP 4.8 scenario, and only marginally under the RCP 8.5 scenario. We have therefore estimated how stakeholders perception of our approach to responding to the climate change agenda may result in reputational damage, changes in consumer behaviour and loss of revenue.			As our vehicle finance division provides customers with second-hand cars, this led us to consider the changes in policies which could impact our customers who reside in communities within Ultra Low Emission Zones (ULEZs) or Clean Air Zones (CAZs). We are therefore monitoring the number of vehicle finance customers who reside in ULEZs and CAZs. Furthermore, we continue to monitor number of BEVs that are purchased by customers using our vehicle finance products as well as the barriers to their uptake (e.g., affordability and access to a reliable charging infrastructure).		

Actions
The actions the Group will adopt in order to mitigate against these transition risks and ensure that our strategy responds to any potential opportunities include:

- committing to reach our net zero target by 2040, and continuing to adopt sustainable energy sources, implement energy efficiency measures and engage with our suppliers to encourage them to reduce their own carbon emissions;
- setting carbon reduction targets which will be recognised by the SBTi. Once set, we will report progress against these targets on an annual basis;
- continuing to engage with our customers on the benefits of using our vehicle finance products to purchase BEVs/hybrid vehicles. At the same time, engaging with our stakeholders to gain further insight into the used BEV market and the current state of the charging infrastructure in the UK;
- continuing to monitor customer default rates due to increased costs (e.g. as a result of energy cost increases); and
- continuing to ensure that the remuneration of the executive directors is partly linked to our progress in meeting the Group's climate-related goals and targets.

Physical risks						
	Acute risks			**Chronic risks**		
Scenario	**RCP1.9**	**RCP4.8**	**RCP8.5**	**RCP1.9**	**RCP4.8**	**RCP8.5**
Risk rating	Low	Low	Low	Low	Low	Low
Description	The TCFD recommendations identify climate-related physical risks as acute (event driven) and chronic (those due to longer-term shifts in climate patterns). The increase in the frequency and severity of extreme weather events, such as floods and storms, could impact the Group's input and productivity, and insurance claims. We have therefore sought to quantify how extreme weather events could impact our business activities and damage our assets.					
Likelihood	Probable	Possible	Remote	Probable	Possible	Remote
Impacts	An increase in the number and severity of acute and chronic weather events may cause disruptions to our operations, reduce productivity, and consequently decrease revenue. Furthermore, longer-term shifts in climate patterns and global temperatures will be more damaging in the long term to our properties. This could result in an increase in the insurance claims that are made and consequently an increase in the amount of excess payables.					
Time horizon	S,M,L	S,M,L	S,M,L	S,M,L	S,M,L	S,M,L
Financial impact	Low	Low	Low	Low	Low	Medium
Methodology	The Environment Agency identifies flood risk in the long term based on property location as follows: high risk: >3.3% every year; medium risk: between 2 and 3.3% every year; low risk: between 0.1% and 2% every year; and very low risk: <0.1% every year.			The Bank of England explains that global mean temperatures have already increased by around 1.1°C compared to pre-industrial levels. Average winter precipitation in the UK has increased by 25% compared to the late 20th century. Met Office research found that events similar to the record rainfall that occurred in the UK on 3 October 2020 (the UK's wettest day on record) could become 10 times more frequent for climatic conditions similar to those in year 10.		

Actions
The actions the Group will adopt in order to mitigate against these physical risks and ensure that our strategy responds to any potential opportunities include:

- continuing to maintain and test business continuity plans to ensure the continuity of our operations in a range of situations, including those where an extreme weather event occurs; and
- committing to shifting to more sustainable, low-impact resources and have a series of targets to achieve this aim (for example, to ensure that we use 100% renewable energy across the Group).

In terms of Vanquis Banking Group's exposure to physical risks, although it is accepted that extreme weather events will increase in number and severity compared to the present, they are unlikely to be as severe as those expected under the RCP4.8 scenario. Also, the direct financial impacts associated with these events are considered to be minimal for the Group because its four main offices are leased, and insurance is in place to help mitigate the impacts of such physical risks.

Our low carbon economy transition plan
The actions, set out above, that have resulted from our scenario analysis work are tied to and support our net zero by 2040 ambition. In order to deliver on this ambition, we have developed an outline plan that will enable us to transition to a low carbon economy and deliver in line with the science based carbon reduction targets we are currently finalising. This plan will focus on the following areas:

- Scope 1 emissions – reduce building gas, company car and back-up generator GHG emissions through the implementation of operational and behavioural changes, use of alternative fuels (e.g. biodiesel) and use of more sustainable forms of transport;
- Scope 2 emissions – reduce emissions associated with electricity use by switching to 100% renewable electricity and energy storage technologies, and through the implementation of operational and behavioural changes; and
- Scope 3 emissions – engage with our top 18 suppliers by spend which account for a significant proportion of the Group's carbon footprint to set their own carbon reduction targets. In addition, reduce emissions associated with business travel, colleague commuting, water use and waste generation.

Reporting in line with the TCFD recommendations continued

Recommendation 2: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning continued

2c) The resilience of the Group's strategy, taking into consideration different climate-related scenarios

As mentioned above, beyond the five-year time horizon we have included in our scenario analysis work, the level of uncertainty regarding the impact of climate-related risks increases. Overall, the results of our scenario analysis indicate that the physical and transition risks associated with climate change could impact the Group in the short, medium and long term. The size of this impact is dependent on the nature and speed of the global transition towards a lower carbon economy. The work we have undertaken to date, using three RCP scenarios and their accompanying assumptions, show that our business continues to be resilient under all scenarios that have been used in our analysis. The RCP1.9 scenario would have the biggest impact on the Group in the short to medium term before any mitigating actions were considered or taken into account. This is primarily due to the potential for increases in the price of carbon to have an impact on the cost of our energy use, as well as have financial implications for customers (i.e. whether increases in energy costs impact customer default rates). The RCP4.5 scenario revealed higher levels of disruption as a result of increases in extreme weather events and other natural disasters compared with the RCP1.9 scenario. However, the actions and an outline transition plan that are set out above, will enable the Group to address any of the concerns associated with the RCP1.9 and RCP4.5 scenarios as they will contribute to reducing our exposure to both transition and physical risks. Under the RCP8.5 scenario, despite there being much uncertainty about the impacts of climate change, we can expect our business and our stakeholders to be impacted by more extreme physical risks in the longer term, as well as lack of policies to support the transition to a low carbon economy. In these circumstances, the Group would have to ensure that adequate measures were in place to manage and address the physical risks and their potential to impact our operations, customers and other stakeholders.

The fact that climate change is designated as a principal risk for Vanquis Banking Group, demonstrates that we recognise the potential for climate change to impact our business activities and stakeholders. We will ensure that our strategy of understanding and assessing the risks associated with climate change and the impact on Vanquis Banking Group's financial results continues to evolve so that we can further improve our resilience and respond to any related opportunities.

In preparing the Group's financial statements (see page 163), we have considered the impact of the results of our scenario analysis and climate-related risks on our financial performance, and while the effects of climate change represent a source of uncertainty, there has not been a material impact on our financial judgements and estimates due to the physical and transition climate-related risks in the short to medium term.

Recommendation 3: How the Group identifies, assesses and manages climate-related risks

In this section, we disclose our processes for identifying, assessing and managing climate-related risks and how we integrate these into our overall Risk Management Framework.

3a) The Group's processes for identifying and assessing climate-related risks

Climate change has been identified as a principal risk, as opposed to an emerging risk, to the Vanquis Banking Group (see page 62). This is because the Group's long-term success is dependent on the sustainability of its operations and business models, and the resilience of its supply chain.

It is also in recognition of transition risks such as current and emerging regulatory requirements which have potential to limit the GHG emissions associated with the Group's operations and business activities, as well as increases in the price of carbon that is linked to the energy and fuel that is consumed across the business. As such, the Group recognises the importance of addressing any potential climate-related impacts on the business, its customers and other stakeholders in financial, operational and reputational terms. As with all principal risks, the Group's Risk Management Framework sets out the high-level control principles that are in place and those responsible for managing both the overall risk and the relevant mitigating controls (go to pages 54 to 65 for more information). By integrating climate risk within the Group's Risk Management Framework, it is possible to assess how it interacts with other material principal risks, including those that relate to credit, capital, operations, legal and governance matters and conduct and regulations. All risks are monitored and reviewed throughout the course of the year to identify changes that could impact the risk profile.

3b) The Group's processes for managing climate-related risks

The Group's CRC includes representatives from a range of functions (e.g. from the Group's Finance, Risk, Procurement and Building Management teams) and has defined the risk management approach which enables any material climate-related risks to be identified, assessed and managed. It has also recommended that the Group adopt a 'risk cautious' appetite for exposure to climate risk and implement a control framework that prevents significant customer or stakeholder detriment, regulatory non-compliance and/or reputational damage as a result of climate change. To support our ongoing management of climate-related risks, we have a range of processes in place. These include monthly risk appetite reporting using metrics which relate carbon pricing, customer default rates, operational impacts associated with extreme weather events and the progress being made in relation to our net zero target. Regular updates are also provided to the Board's Risk Committee on the progress made in terms of delivering mitigating activities which relate to the Group's climate risk.

The effectiveness of the Group's climate risk control framework is assessed by the Board's Risk Committee and has been subject to independent review by the Group Internal Audit function as part of the annual audit plan. During 2022, the Audit Committee reviewed the TCFD report that was produced by the CRC, including progress against the four TCFD pillars and 11 recommended disclosures.

3c) How the processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall risk management

Climate-related risks and opportunities are also integrated within our Enterprise Risk Management Framework and monitored on an ongoing basis. This enables us to continuously evaluate the significance of our risks based on their likelihood and impact and to prioritise their management accordingly. Through this framework, we also monitor the environment for new and emerging risks, and to keep up to date with any evolving regulatory requirements. Through the designation of climate risk as a principal risk, and therefore its integration within the Group's Enterprise Risk Management Framework, we are able to assess how it interacts with other material principal risks, including those that relate to credit, capital, operations, legal and governance matters and conduct and regulations.

We are committed to understanding and assessing the risks associated with climate change and their impact on the Group's financial results, and will continue to update our approach to scenario analysis as more business-related, economic and climate data becomes available.

Recommendation 4: The metrics and targets used by the Group to assess and manage relevant climate-related risks and opportunities where such information is material

In this section, we set out the metrics and targets that the Group has used to assess and manage the most significant climate-related risks and opportunities. These have been created to enable us to monitor, assess and manage the risks and opportunities arising from climate change that are material to our business activities and stakeholders. These are set out below and align with the risks and opportunities that have been identified as part of the strategy discussed above. Vanquis Banking Group's GHG emissions data has been subject to a limited assurance by Corporate Citizenship in accordance with the ISAE 3000 Assurance Standard. A full assurance statement is available on the Group's corporate website at www.vanquisbankinggroup.com.

4a) and c) The metrics and targets used by the Group to manage and assess climate-related risks and opportunities in line with its strategy and risk management process

The metrics and targets that are and will be used by the Group to assess the impact of both the transition and physical climate-related risks and opportunities on our business activities and stakeholders (e.g. customers) in the short, medium, and long term are set out in the table below.

Risk/opportunity-related categories	Aspects	Metrics	Targets
Policy and legal	GHG emissions	Our scope 1, 2 and 3 emissions reporting and reductions which relate to energy and water use, travel and waste management. Increased pricing of GHG emissions.	See our environmental KPI results and our GHG emissions table on page 48 of this report and in our 2022 Sustainability Report for more information on five-year trends. The Group will monitor increases in operating costs (e.g. associated with higher compliance costs). The Group will also monitor customer default rates due to increased costs (e.g. as a result of energy cost increases).
	Science-based targets	Carbon reduction.	Carbon reduction targets, which are recognised by the SBTi, will be set in respect of our scope 1 and 2 emissions, and the emissions associated with the goods and services we purchase (scope 3, category 1) by Q2'23.
Energy source	Renewable energy	Renewable energy consumption.	Ensure that we use 100% renewable electricity across our business premises by December 2024.
Market opportunities	Customer engagement	Customer sentiment and perception regarding their ability to transition to a low carbon economy as well as the Group's ESG performance.	The Group will: – monitor the number of Group customers using our vehicle finance products to purchase BEVs and hybrid electric vehicles; – monitor customer attitudes and perceptions towards buying BEVs; and – engage with policymakers to support the uptake of BEVs by consumers in the mid-cost and near-prime parts of the consumer credit market.
Reputation	Supplier due diligence	Monitor supply chain activities in line with the Group's ESG commitments and Corporate Environmental Management Policy.	Engage with 100% of materially significant suppliers to set carbon reduction targets and determine their exposure to climate risks.
	Investor Relations	Investor sentiment and perception regarding the Group's ESG performance.	The Group will continue to engage with our investors on the climate risk agenda where relevant and ensure the Group's participation in: CDP, the FTSE4Good Index, MSCI, the S&P Global Corporate Sustainability Assessment, etc.
Policy/liability	Executive remuneration	The remuneration of the executive directors is partly linked to our progress in meeting the Group's climate-related goals and targets.	Please refer to the Directors' Remuneration Report on pages 127 to 151.
Physical risks	Weather patterns	Operational impacts caused by severe weather events and changes in weather patterns.	The Group will monitor increases in operating costs (e.g. associated with increased insurance premiums and potential for reduced availability of insurance on assets in 'high-risk' locations).

We are committed to understanding and assessing the risks associated with climate change and the impact on the Group's financial results and will continue to update our approach to scenario analysis as more business-related, economic and climate data becomes available. In particular, we will continue to develop further insight into the used BEV market, given that the list price of the majority of used electric vehicles is currently a barrier to ownership for many middle and lower income consumers.

Reporting in line with the TCFD recommendations continued

Recommendation 4: The metrics and targets used by the Group to assess and manage relevant climate-related risks and opportunities where such information is material continued

4b) The Group's scope 1, scope 2 and material scope 3 GHG emissions, and the related risks

Vanquis Banking Group has measured and reported its GHG emissions since 2007 and currently reports this information in accordance with the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. Details of our scope 1 and 2 GHG emissions in tonnes of CO_2e, along with a relevant intensity ratio (i.e. kilogrammes of CO_2e per customer) and information on underlying energy use for 2022, are set out below.

	2022	2021
Scope 1 GHG emissions (CO_2e)		
Gas use	142	200
Diesel and petrol use	13	111
Scope 2 GHG emissions (CO_2e)[1]		
Electricity use (market-based emissions)	453	125
Electricity use (location-based emissions)	862	928
Scope 3 GHG emissions (CO_2e)		
Scope 3 associated 'well-to-tank' emissions	287	74
Scope 3 category 1 – purchased goods and services	16,420	17,579
Scope 3 category 3 – fuel and energy-related activities (not included in scope 1 and 2)[2]	332	409
Scope 3 category 5 – waste generated in operations	16	15
Scope 3 category 6 – business travel	214	269
Scope 3 category 7 – employee commuting	2,389	Not calculated
Scope 3 category 13 – downstream leased assets (market-based)[3]	0	0
Scope 3 category 15 – investments[4]	227,524	Not calculated
Total energy consumed (kilowatt hours)	6,013,939	5,460,285
Scope 1 and 2 (and associated scope 3) emissions intensity ratio (kg of CO_2e/per customer)	0.79	1.02

1 We used average electricity and gas consumption data in December 2022 for one of the Vanquis Bank offices as the invoices for that period were outstanding at the time of reporting. The market-based emissions from two suppliers are in CO_2 and not CO_2e (i.e. do not include non-CO_2 emissions); however, the variance between CO_2 and CO_2e is considered to not be material.
2 This year, we have included the 'well-to-tank' emissions for UK electricity (generation) as part of Category 4 reporting.
3 The market-based method was used to calculate the emissions associated with an office that is leased by the Group.
4 The emissions from the vehicles that are financed by the Group are based on the number of vehicles that are on a contract that is active as at 31 December 2022.

In reporting our emissions we follow the GHG Protocol Corporate Accounting and Reporting Standard to calculate Scope 1, 2 and 3 emissions that are material to our UK operations. We use a financial control approach to account for our GHG emissions and use emission conversion factors from BEIS/Defra's GHG Conversion Factors for Company Reporting 2022. Our reported scope 1 emissions are those generated from gas and oil used in buildings, and emissions from fuels used in the small number of company owned vehicles used for business purposes. Our reported scope 2 emissions are those that arise from the use of electricity and are calculated using both market and location-based methodologies. Where electricity suppliers can provide us with the relevant conversion factor, we have used the market-based method; otherwise, we use the location-based method. We also report the GHG emissions (scope 3 – category 3) associated with the production, transportation and distribution of fuels used by transport and utilities providers. In addition, we also report the following categories of scope 3 emissions which are material to our business activities: fuel and energy-related activities (category 3); waste generated in operations (category 5); business travel (category 6); and employee commuting (category 7).

In terms of reporting our supply chain GHG emissions, we have reported the scope 3 category associated with the purchased goods and services (category 1) we use across the Group. To calculate category 1 emissions, we have used the spend-based method, and have used BEIS guidance.

Finally, scope 3 GHG emissions associated with two downstream activities are considered to be material to the Group's operations and stakeholders. These are: downstream leased assets (category 13) which account for the emissions that arise from the subletting of No.5 Godwin Street, Bradford; and investments (category 15) which relate to the financed GHG emissions associated with the vehicle finance we provide to our customers. In terms of the latter category, these emissions were calculated using data that is held by our vehicle finance business.

As mentioned above, the Group is currently in the process of setting carbon reduction targets that will be approved by the SBTi. These targets will be set in respect of our scope 1 and 2 emissions, and scope 3, category 1 emissions which are associated with the goods and services that we purchase. The Group is required to set a target in relation to its scope 3, category 1 emissions because of the contribution they make to our overall carbon footprint. This is despite the contribution made to the Group's overall carbon footprint by our scope 3, category 15 emissions being larger. However, the SBTi's most recent guidance for the financial services sector indicates that there is currently no methodology that would enable a carbon reduction target to be set in relation to these emissions. Setting a target for these emissions is also dependent on all consumers, including those on lower incomes, being able to afford electric vehicles as well as an effective charging infrastructure being developed and implemented across the UK. We will continue to identify opportunities to set additional climate-related targets as more data becomes available, methodologies get developed, and we gain more experience in target setting.

Reducing the carbon intensity of our operations

To achieve our net zero goal, we continue to focus on improving the energy efficiency of our operations. We do this by driving energy efficiency across our business premises and by ensuring good practice and installing more efficient lighting systems where possible. We also continue to offset our GHG emissions through the purchase of carbon credits in renewable energy projects. This year, we have shifted our approach to carbon offsetting. Instead of financing projects which are now considered to be carbon avoidance, we have financed two carbon capture projects, one locally and one overseas. By doing this, our approach to offsetting supports the removal of carbon from the atmosphere. In doing so, we have offset 3,000 tonnes of CO_2e in the Scottish ReGrow project, which aims to restore a diversity of woodland types to Scotland, prioritising the pinewood and riparian woodland habitats, and 5,000 tonnes of CO_2e in the Forests Planting in Panama project, which aims to mitigate the impact of sourcing timber from rainforests which has resulted in the depletion of tropical rainforests. This accounts for all our scope 1 and 2 emissions, as well as the scope 3 emissions associated with all our fuel- and energy-related activities, upstream transportation and distribution, waste generated in our operations, business travel and colleague commuting and some of the emissions that result from the goods and services we purchase.

Section 172(1) statement

The directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172(a)–(f) of the Companies Act 2006 (s.172).

Stakeholder engagement

The Board's engagement with stakeholders is informed by the Group's stakeholder engagement strategy (see pages 85 and 102) which drives effective and strategic relations between the Board and its key stakeholders, taking into account differing stakeholder interests and methods of engagement.

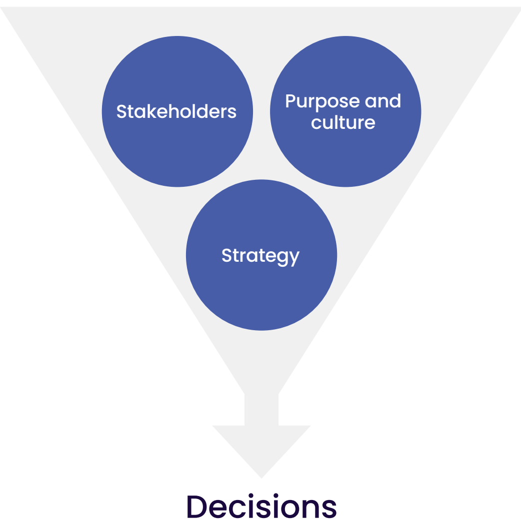
Our stakeholders, how we've engaged with them during 2022 and the outcomes of this engagement can be found on page 82.

Principal decisions

s.172 of the Companies Act 2006 ultimately requires effective decision making by the Board. The decisions of the Board are led by the Group's Purpose, culture and strategy, designed to deliver long-term value for its stakeholders. Key activities undertaken by the Board during the year are detailed on page 76 and the principal decisions made by the Board are detailed on pages 51, 75, 77 and 85.

Disclosures relating to how the directors have discharged their responsibilities under s.172 are integrated throughout the Strategic and Governance Report; please see the table opposite for references throughout this report.

More information on our Board's commitment to setting and driving strategy can be found on page 74.



Section 172 provision	Relevant disclosure	Pages
The likely consequences of any decision in the long term	Chairman's statement	69
	Strategic Priorities	22
	Our approach to sustainability	16
	TCFD disclosure	40
	Stakeholder engagement	82
	Principal risks and uncertainties	59
	Viability Statement	67
	Board activities	76
	Corporate Governance Report	68
	Nomination Committee Report	95
	Directors' Remuneration Report	119
	Directors' Report	112
	Engagement with shareholders	87
The interests of the Company's employees	Chairman's statement	69
	CEO's review	8
	Our people	39
	Stakeholder engagement	82
	Principal risks and uncertainties	59
	Chairman's introduction to governance	69
	Value for our stakeholders	20
	Board activities	76
	How the Board monitors culture	79
	Our Designated Non-Executive Colleague Champion	86
The need to foster the Company's business relationships with suppliers, customers and others	Chairman's statement	69
	CEO's review	8
	Business model	20
	Strategic Priorities	22
	Our approach to sustainability	16
	Non-financial information statement	52
	Ethics and governance	38
	Stakeholder engagement	82
	Our customers	3
	Principal risks and uncertainties	59
	Corporate Governance Report	68
	Board activities	76
	Engagement with shareholders	87
The impact of the Company's operations on the community and the environment	Chairman's statement	69
	CEO's review	8
	Our approach to sustainability	16
	TCFD disclosure	40
	Non-financial information statement	52
	Ethics and governance	38
	Stakeholder engagement	82
	Principal risks and uncertainties	59
	Board activities	76
The desirability of the Company maintaining a reputation for high standards of business conduct	Chairman's statement	69
	CEO's review	8
	Our people	39
	Our approach to sustainability	16
	TCFD disclosure	40
	Non-financial information statement	52
	Ethics and governance	38
	Stakeholder engagement	82
	Board activities	76
	How the Board monitors culture	79
	Board evaluation	93
	Audit and Risk Committees	103–111
The need to act fairly as between members of the Company	Stakeholder engagement	82
	Engagement with shareholders	87
	Board activities	77
	Directors' Remuneration Report	119
	Business model	20

Decision making for long-term success

Board discussion and decision making is informed by the interests of our key stakeholders. Board papers contain analysis of the impact of the proposal on the Group's stakeholders and how the provisions of s.172 have been considered. The Board acknowledges that the Group has a wide range of stakeholders with differing interests and priorities, and decisions will not always result in a positive outcome for all stakeholders. The Board therefore seeks to balance stakeholders' competing interests in order to make balanced decisions that drive the Company's long-term success. Being led by the Group's Purpose, culture and strategy, the Board ensures that decisions are consistently made with the intention of promoting the long-term success of the Group and delivering sustainable value to our stakeholders as a whole. During 2022 the Board made several principal decisions that demonstrate this commitment. You can read about these principal decisions, including the Board's decision making process and considerations in reaching their decision, below and on pages 51, 75, 77 and 85.

Principal decision: Consolidating our loans strategy supported by a unified Group-wide technology platform

The Board approved the consolidation of Sunflower Loans and Vanquis loans into a single product under the Vanquis brand supported by an agile Group-wide technology platform known as Gateway. You can read more about this on page 34.

Decision making process

The Sunflower loan and Vanquis open market loan products were launched on a pilot basis last year and the performance of these pilots were monitored by management, using KPIs and governance committees. The Board received updates on the performance of the pilots via reports from the CEO. Following the conclusion of the pilots, the Board reviewed the financial performance and KPIs of the two pilot products and decided that the products be consolidated into a single Vanquis branded loan with a lower risk target market and lower APR.

Strategy and Purpose

The Board considered that the consolidated loan product aligned with the Group's strategic positioning as a mid-cost credit provider and provided an opportunity for the Group to grow its share in the target market through the clarity of a single-brand loan product. Furthermore, the consolidated proposition supported the Group's Purpose to help put people on a path to a better everyday life as a wider product range would be offered to the millions of adults in the UK not currently well served by the mainstream credit companies. The Board discussed the risks and mitigations in proceeding with the proposal to continue its open market loan product under the Vanquis brand at larger volumes.

Challenges

The Board considered the risk that the volume of change and migration to the Gateway platform might cause disruption to customers and would require additional resources to support the technology delivery requirements. The Board received assurance from management that the migration would be closely monitored, that change would be implemented within the Group's change governance framework, and that mitigation plans had been devised to minimise and resolve any potential disruption.

Balancing stakeholder interests

The needs of our customers were a key consideration in the Board's decision making. It was recognised that the greater range of APRs should enable our customers to access the right product at the right time in their customer journey, and allow us to reach a wider customer base. While the decision to consolidate the loans under the Vanquis brand aligned with the Group's strategy and Purpose, and provided the greatest opportunity for long-term growth and shareholder returns, the Board recognised that not proceeding further with Sunflower branded loans following the pilot would impact colleagues who had worked on the brand during its pilot. Management provided assurance to the Board that the impact on colleagues would be communicated and managed effectively, with appropriate support provided.

Links to stakeholders **Links to strategy** 2 3

Links to risks P4 P5 P11 P12 **Links to s.172**

Links to stakeholders		Links to strategy	Links to risks	Links to s.172
Customers	Communities	1 People and Culture	P Find our key risks on page 57	The likely consequences of any decision in the long term
Investors	Government	2 Growth and Sustainability		The interests of employees
Colleagues	Suppliers	3 Customer and Community		Business relationships with suppliers, customers and others
Regulators	Pensioners			The impact on the community and the environment
Debt providers				Maintaining a reputation for high standards of business conduct
				Acting fairly as between members

Non-financial information statement

Information on the Group's non-financial impact can be found throughout the report. The table below explains how the Group meets the non-financial reporting requirements of the Companies Act 2006.

Business model	The Group remains committed its Purpose of helping to put people on a path to a better everyday life and its mission to be the first-choice bank for those excluded from accessing financial services by traditional lenders. You can read about the re-naming of the Group to better align with our strategy on page 75.	Pages 2-5 Pages 20-21
Colleagues and their contribution	Our colleagues are central to the Group's long-term success and the achievement of its mission. We continue to work to enhance our workplace culture and maximise colleague engagement. Supporting policies: Inclusion and Diversity Policy, Family Friendly Policy and Mental Health and Wellbeing Policy. Due diligence: All People policies were reviewed during 2022 to ensure a unified approach under the new shared corporate services model. Diversity metrics are closely monitored (see Nomination Committee Report on page 95). Health and safety training is mandatory for all new colleagues and there is regular refresher training throughout the year. Risks and risk management: People risk (page 64). Measurement: Colleague engagement is measured through our Group colleague surveys (page 81).	Pages 38-39
Environmental impact	Supporting policies: Environmental Management Policy, Climate Principal Risk Policy and Procurement Policy. Due diligence: The Group reports in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which enables us to consider the impact of climate-related risks and opportunities on the Group's financial performance. Also, the Group's supplier due diligence processes and procedures involve engaging with suppliers to understand their exposure to material climate-related risk and carbon reduction commitments. Risks and risk management: Climate risk (page 62) and conduct and regulatory risk (page 63). Measurement: Pursuant to the FCA's Listing Rule 9.8.6R(8) and the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018, the Group publishes an annual TCFD Report and discloses comprehensive environmental data in its Annual Report and Accounts and standalone Sustainability Report - www.vanquisbankinggroup.com/sustainability. The Company also makes an annual submission to the CDP. Finally, as a signatory to the UN Global Compact, the Company is aligned with its environmental principles and reports on its progress annually - www.vanquisbankinggroup.com/sustainability/responding-climate-change.	Pages 40-49

Social and community impact	The strategy of the Group's community investment programme is to invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, can reduce social and/or financial inclusion. Supporting policies: Community Involvement Policy and Volunteering and Matched-Funding Policy. Due diligence: The Group's community investment strategy is reviewed and approved by the Group Executive Committee and the Board on an ongoing basis. This involves ensuring that the Group's investments have a sustainable benefit to the communities it serves and the business itself. A dedicated team is responsible for the design, development and delivery of the Group's community investment programme. Risks and risk management: People risk (page 64) and legal and governance risk (page 62). Measurement: The Group reports on the amount it has invested in its community investment activities, as well as the social impacts that have been delivered, in its Annual Report and Accounts and standalone Sustainability Report - www.vanquisbankinggroup.com/sustainability. This is done using the Business for Social Impact B4SI Framework so that the Group can understand the differences its contributions make to business and society. The Group's colleague surveys are also used to understand colleagues understanding of, and engagement with, the Group's community investment programme.	Pages 37-38 Page 84
Respect for human rights	The Group is committed to supporting and respecting human rights and, as such, is opposed to slavery and human trafficking in both its direct operations and in the indirect operations of its supply chains. As such, the Group will not knowingly support or do business with any organisation involved in slavery or human trafficking. Supporting policies: Human Rights and Modern Slavery Policy, Procurement Policy, Diversity Policy and Whistleblowing Policy. Due diligence: The Group has well-established supplier due diligence processes and procedures to manage supply chain-based risks and ensure suppliers comply with the Group's policy requirements and meet legislative requirements including those that relate to the Modern Slavery Act 2015. Across the Group, all new suppliers are assessed for the types of potential risks they pose and are sent questionnaires covering issues such as financial stability, data protection, information security, business continuity, regulatory compliance, and corporate responsibility. Risks and risk management: Legal and governance risk (page 62), people risk (page 64), and conduct and regulatory risk (page 63). Measurement: Pursuant to the UK Modern Slavery Act 2015, we produce a Modern Slavery Statement www.vanquisbankinggroup.com/modern-slavery-statement. Also, as a signatory to the United Nations Global Compact, the Group is aligned with its human rights and labour standards and reports on its progress annually - www.vanquisbankinggroup.com/sustainability/our-policies.	
Anti-corruption and bribery measures	Supporting policies: Anti-Bribery and Corruption Policy, Corporate Hospitality Policy and Whistleblowing Policy. Due diligence: The Group has a zero-tolerance approach to bribery and corruption and all colleagues undertake mandatory training. The Audit Committee oversees compliance with the Corporate Hospitality Policy and the Board oversees the Whistleblowing Policy. Risks and risk management: Conduct and regulatory risk (page 63). Measurement: Completion of mandatory training is monitored; whistleblowing reports are overseen by the Board; and any matters relating to corporate hospitality are monitored by the Audit Committee.	Page 116

Building an effective and sustainable **Risk Management Framework**

"In 2022, we successfully implemented the Group's risk strategy and Risk Harmonisation Programme. This has enabled the Risk function to provide a greater level of insight, challenge and support to the Group in helping put our customers on a path to a better everyday life. Vanquis Banking Group now has a strong risk awareness, culture and control environment to support the management of its risks consistently and effectively. In 2023, we will embed these enhancements and generate further benefits from risk harmonisation.

Gareth Cronin
Group Chief Risk Officer

Q&A with Gareth Cronin, Group Chief Risk Officer

How are we strengthening our risk management capabilities to support the delivery of the Vanquis Banking Group's strategy?

Vanquis Banking Group has heavily invested in upskilling the Risk function over the last two years and will continue this through the implementation of risk investment priorities, which form part of Vanquis Banking Group's Risk Strategic Framework 2023-2026. The Risk function is structured to ensure we have sufficient expertise to provide support and robust challenge across our principal risks. We also have a fit for purpose process for detecting and reporting emerging risks. In an economic environment where credit risk is top of mind, we constantly review our credit risk capability and strength in terms of succession planning and to address any gaps in knowledge, experience and diversity. We have also successfully implemented a Group-wide integrated Risk Management System which enhances efficiency and enables the function to be more strategic in its activity.

How are we proactively responding to the significant changes in our regulatory and economic environment?

We have organised the Risk function and wider business to understand and proactively prepare for regulatory change. We continuously scan the horizon to ensure we are aware of all relevant new and forthcoming regulation and communicate the output of this activity with the business on a regular basis. The current economic environment and 'cost of living crisis' is very much top of mind, and we have enhanced and intensified our credit risk monitoring and reporting to help identify and mitigate the risks we are exposed to in relation to this. We maintain a positive and proactive relationship with our regulators and meet regularly to discuss our approach on a wide range of topics, including our approach to regulatory obligations and the performance of our book across each of our products. We have prepared for the implementation of the FCA's Consumer Duty regulation, which come into effect in 2023, to ensure we can demonstrate delivery of customer centricity and optimal customer outcomes.

What is our main risk focus for the next 12 months?

In response to the current economic environment and 'cost of living crisis', our focus for 2023 is primarily on credit risk to ensure the business we write is both sustainable and supports good consumer outcomes. We are also challenging and overseeing the implementation of the IT risk strategy as Vanquis Banking Group moves off its legacy systems and onto a modern cloud-based platform (Gateway). The Group demonstrated a strong execution capability throughout 2022, which will remain a key requirement as we continue to execute significant strategic and operational change in 2023. The improvements made with respect to risk management are yielding benefits and we will continue to embed these throughout 2023.

Introduction and recent developments

Overview
During 2022, the Group continued to strengthen its risk management capabilities and is embedding these into business-as-usual practices. This has been delivered primarily through the Risk Harmonisation Programme which sought to implement a consistent and best practice Enterprise Risk Management Framework (ERMF) and associated policies, tools, systems and processes.

Group's approach to risk management
Risk management is recognised as an integral component of good management and governance. In the context of Vanquis Banking Group, it is critical to enable us to optimise our shareholder return while maximising our business opportunities and positive outcomes for all our key stakeholders, which include shareholders, customers, colleagues and regulators. The Group Risk Management Framework plays an important role in supporting the Group Board and Executive in implementing an integrated business strategy. The Framework is based around an 'enterprise' approach, enabling a single view of all risks and managing those risks in a consistent way up, down and across the enterprise.

Risk culture
Our Purpose, strategic drivers and behaviours combine to drive us to always do the best we can for our customers and colleagues. We promote a risk culture that supports appropriate risk awareness, behaviours and judgements in the level of risk we are willing to take. Our culture is underpinned by an appropriate balance between risk and reward, with accountabilities reinforced through the Senior Managers and Certification Regime (SMCR). Risk objectives are also included as part of non-financial measures in Group and product executive scorecards and we have embedded a Risk Adjustment Framework to formally record the linkage between risk management and reward. We have further strengthened this approach by mandating all employees, irrespective of seniority and business area, to have a risk objective as part of the Group performance management process. Supporting this, the Risk function delivered significant levels of risk training to risk and control owners throughout 2022.

Risk appetite
The Group defines its risk appetite as the amount and type of risk the organisation is prepared to seek, accept, or tolerate at any point in time, and measured over a rolling 12-month period. Our risk appetite is holistic and covers the 13 principal risks detailed later in this report. The Board is responsible for approving the Group's risk appetite statements at least annually with the supporting Board-level metrics cascaded into more detailed business appetite metrics, limits and thresholds at a product level.

Recent developments
The Group has continued to make significant progress on key initiatives to strengthen and embed its overall risk governance, frameworks and capabilities.

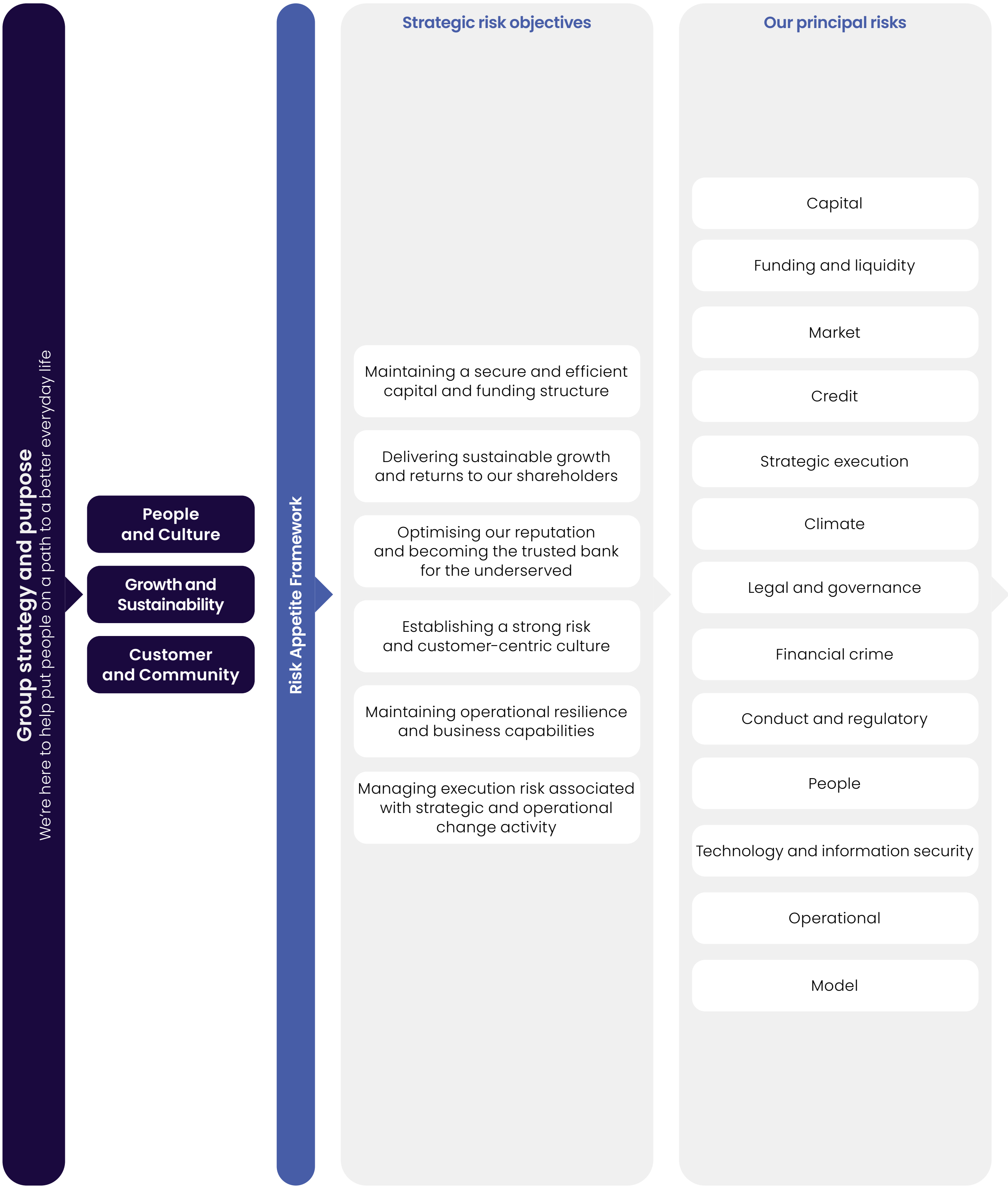
- The Risk function was fully centralised in 2022, consolidating the legacy divisional risk teams, removing siloed operating models, and harmonising best practice ways of working. The Risk Leadership team was enhanced with the appointment of a Chief Conduct and Compliance Officer and Chief Credit Officer. This also included recruitment and reorganisation to enhance oversight of key risk areas such as treasury, operational, conduct and information technology risks.
- We have implemented an integrated Risk Management System (Riskonnect) that provides a central and secure repository of risk information across our three lines of defence. Implementation of the system has significantly enhanced our risk management capability, improved risk and control effectiveness, and realised resource efficiencies with the automation of processes and reporting.
- The Group Risk Management Framework and supporting policies, which include the processes for identifying and measuring risks, were consolidated, improved and embedded into operational practice across the Group.
- The Risk and Control Self-Assessment (RCSA) processes for IT and non-IT (operational) risks were subject to a budgeted programme of improvement activity, jointly sponsored by the Chief Operations Officer, Chief Information Officer and Chief Risk Officer. The objective of this activity was to enhance the accuracy, completeness and reliability of risk and control data and to streamline the end-to-end process in readiness for RCSA transitioning onto the newly implemented Risk system.

“We continue to enhance our risk management capabilities through significant investment in our Risk function to support the management of our strategic risk pillars.

Gareth Cronin
Group Chief Risk Officer

Risk Appetite Framework

The Group Risk Appetite Framework creates a clear link between Vanquis Banking Group's business strategy and its strategic risk objectives. It defines the over-arching approach through which the Group's risk appetite is established and communicated.



Risk appetite headlines

Capital
We will maintain sufficient capital, both in quantity and quality, to meet regulatory requirements and will hold a management buffer as agreed with the Board.

Funding and liquidity
Our funding risk appetite is to maintain a stable and prudent funding profile without any significant reliance on any single source of funds, retaining a sufficient level of unencumbered assets and unutilised funding sources as contingency.

Our liquidity risk appetite is to maintain sufficient liquidity resources to be able to meet our liabilities as they fall due, whether in normal conditions or stress, while also meeting our regulatory requirements.

Market
We will ensure that under a severe and adverse change in interest rates, any risk to our capital (economic value) or earnings remains within levels agreed with the Board and for which Pillar 2A capital is held.

Credit
The Group will manage our credit risk exposures through effective underwriting processes, systems and controls to support appropriate lending decisions.

Strategic execution
We will seek new business opportunities, both organic and inorganic, which remain aligned to our customer, regulatory and commercial objectives, and execute in controlled and sustainable manner.

Climate
We will understand, review and address our exposure to climate risks, meet our commitments on climate targets and reporting in line with relevant Government legislation and recommendations, and seek new opportunities arising from climate change. We will ensure that our climate targets are set in line with our commitment to support the UN's Business Ambition Campaign to hold the increase in global temperatures to 1.5°C above pre-industrial levels.

Legal and governance
We will aim to avoid any material legal breaches. In the event they do occur, we will, where possible, correct them promptly and in all cases carry out necessary management to mitigate risks and learn from our mistakes. We will maintain oversight of our business through robust and clearly documented governance and delegation arrangements.

Financial crime
We will operate a strong and risk-proportionate set of systems and controls to detect and prevent financial crime breaches. In the event that they do occur, we will investigate them promptly and learn from control failings, gaps or issues. We will maintain oversight of our business through robust and clearly documented governance and delegation arrangements.

Conduct and regulatory
We will deliver fair outcomes for our customers at all stages of the customer lifecycle. We will aim to avoid any material regulatory breaches and, in the event that they do occur, we will correct them promptly and learn from our mistakes.

People
We will maintain a properly engaged and skilled workforce who are aligned to our Purpose and Group culture.

Technology and information security
We will maintain robust, resilient technology platforms/systems and services with strong information security and data controls to prevent significant customer detriment, regulatory breaches or reputational damage.

Operational
We will limit operational losses as a result of control failures attributed to people, processes and systems including those over external suppliers.

Model
Through strong governance, material risks of using models will perform in line with expectations.

Risk governance structure

The Vanquis Banking Group risk governance structure is outlined below. In combination, the various Board, executive and risk committees strengthen our ability to identify, assess, manage and report risks, while supporting Vanquis Banking Group in responding to the changing external and regulatory environment.

Vanquis Banking Group Board

Reviews Vanquis Banking Group's Risk Management Framework annually to ensure that it remains fit for purpose and complies with relevant laws and regulations including the 2018 UK Corporate Governance Code.

Board committees

Risk Committee (RC)
Board committee responsible for ensuring that there is an appropriate Risk Management Framework embedded across the Group, monitoring key risk positions and trends, and providing oversight and advice to the Board in relation to the current and potential future risk strategy and exposures.

Customer, Culture and Ethics Committee (CCE)
Board committee responsible for reviewing Vanquis Banking Group's culture and business processes to ensure they are focused on delivering fair customer outcomes, overseeing the Group's delivery and embedding of its Blueprint and ensuring the Board meets its corporate governance requirements under the 2018 UK Corporate Governance Code.

Management committees

Executive Committee (ExCo)
Executive Committee, chaired by the CEO, responsible for developing, proposing and implementing Board approved strategy. In doing so, it is responsible for managing the Group strategic risks and overseeing product risks.

Three lines of defence (3LOD) model

Vanquis Banking Group operates a 3LOD model to articulate key accountabilities and responsibilities for managing risk and to support effective embedding of risk management across the organisation.

The first line of defence – line management

Owns the risk and is responsible for identifying, assessing, monitoring and reporting risk within its respective areas whilst ensuring that appropriate internal controls, processes and systems are in place to deliver against business strategy and objectives.

The second line of defence – Risk function

Establishes the Risk Management Framework and policies and supports the first line in developing minimum control standards and expectations to manage risk. Provides independent oversight of governance, risk management and controls across the Group to ensure risks are identified, measured, managed and reported appropriately.

The third line of defence – Group Internal Audit

Provides independent and objective assurance on the design adequacy and operational effectiveness of internal controls, and overall effectiveness of Vanquis Banking Group's risk governance and risk management practices, and provides assurance on whether the first and second lines of defence fulfil their respective responsibilities.

Principal risks

Principal risks are risks which are most significant to Vanquis Banking Group's strategy and business model and have formally been articulated as part of its Risk Appetite Framework. Principal risk categories and associated risk appetite statements are reviewed and approved by the Board on an annual basis, effectively defining Vanquis Banking Group's overall risk appetite.

P1 Capital risk

1 2 3 ↑

Risk description

The risk that the Group fails to maintain the minimum regulatory capital requirements and a management buffer on a consolidated basis to cover risk exposures and withstand a severe stress as identified as part of the Internal Capital Adequacy Assessment Process (ICAAP).

Mitigating activities and other considerations

- The Group and Bank maintain capital ratios in excess of regulatory requirements. The capital risk metrics are regularly monitored at Asset and Liability Committee (ALCO), the Risk Committee and the Board, and are subject to other internal management reviews. This includes ensuring that capital resources are sufficient for planned changes in the balance sheet, and consideration of changes in the regulatory environment. On 8 March 2023 the Group announced an update about our capital requirements from the PRA, following conclusion of its Capital Supervisory Review and Evaluation Process. The outcome was a reduction in the Group's Total Capital Requirement by more than a third, from 18.3% to 11.9%.
- In line with the PRA's requirements, the Group's Internal Capital Adequacy Assessment Process (ICAAP) is updated at least annually. Challenge and oversight of the ICAAP occurs at ALCO and Risk Committee before approval by Board.
- The 2022 ICAAP is the first assessment since the closure of the Consumer Credit Division (CCD). As CCD has been removed from the assessment, the associated capital requirements have reduced. The ICAAP demonstrated that the Group and Bank are more than adequately capitalised.
- The methodology for assessing capital risks takes the Pillar 1 requirements for credit, operational and market risks as a starting point. The assessment then considers whether the Pillar 1 requirement is sufficient to cover management's own assessment of the risks (such as credit concentration, operational, pension and interest rate risk). Where it is considered that additional capital is required, this is held as a Pillar 2A requirement. The combination of Pillar 1 and Pillar 2A requirements form the total capital requirement (TCR).
- To protect against the risk of consuming Pillar 1 and Pillar 2A requirements, firms are subject to regulatory capital buffers. Where relevant a firm-specific PRA buffer is also applied.
- The overall capital requirement (OCR) for the Group and Bank is comprised of: (i) the TCR (covering Pillar 1 and 2A) set by the PRA after review of the ICAAP; (ii) the combined buffers; and (iii) a PRA buffer set by the PRA.
- At 31 December 2022, the Group's CET1 ratio was 26.4% (2021: 29.1%), the TCR was 37.5% (2021: 40.6%) and the OCR was 21.8% (2021: 20.8%), excluding any confidential buffers, if applicable. The Group and Bank also monitors the Leverage Ratio which was 21.0% (2021: 18.1%). By 1 January 2022, around 75% of all transitional adjustments had been absorbed through capital resources, with the remaining transitional adjustment to be fully unwound on 1 January 2023. On a fully loaded basis, the Group capital resources are in excess of its capital requirement.
- In December 2021, the Financial Policy Committee (FPC) announced an increase to the UK Countercyclical Capital Buffer (CCyB) rate to 1%, to be implemented by 13 December 2022. In July 2022, the FPC confirmed a further expected increase to 2%, effective 5 July 2023. The impact of this on the Group's OCR is expected to be partly offset by a confirmation from the PRA that the temporary 0.56% buffer (being the CET1 portion of the PS15/20 2A reduction) imposed due to uncertainty arising from Covid-19 will be removed, effective 31 December 2022. The Group and Bank already have sufficient capital resources to fully absorb the net increase of 1.44%.
- The Group and Bank have elected to adopt the transitional adjustments for IFRS 9. The transitional adjustments have historically had a material impact on the Group's and Bank's regulatory capital position due to high levels of provisioning. By 1 January 2022 around 75% of all transitional adjustments had been absorbed through capital resources. With the remaining transitional adjustment to be fully unwound on 1 January 2023.
- Given the robustness of the Group's financial position and the Group's first half performance, an interim dividend was announced as part of the 2022 interim results. Prior to this the Group had not paid a dividend since the 2019 interim dividend.
- If the Group or Bank was to encounter a significant stress on capital resources, a Recovery Plan is maintained which includes options to ensure that they can remain sufficiently capitalised to remain viable. Recovery Plan Early Warning Indicators (EWIs) and Invocation Trigger Points (ITPs) are regularly monitored and reported against. During 2022, the Recovery Plan was enhanced to ensure compliance with latest regulatory guidance, as well as ensuring that all recovery options were appropriately considered. The Group and Bank continue to have a wide range of recovery options available.
- As part of the intra-group funding arrangement, a Core UK Group (CUG) waiver was approved in November 2022 which allows Vanquis to utilise retail deposits to fund the different parts of the Group, resulting in lower cost of funds for the non-bank group. As part of considerations over Vanquis Bank's CUG waiver application, a Capital Support Agreement (CSA) was granted by Moneybarn in favour of Vanquis Bank. The CSA, in circumstances where Vanquis Bank is failing to meet its solo capital requirements, requires Moneybarn to contribute any excess capital, or liquidity, it holds to Vanquis Bank. In addition, Moneybarn was capitalised as if it were a regulated entity, based on the Group's 2022 ICAAP.
- The Group's Pillar 3 disclosures contain a comprehensive assessment of its capital requirement and resources. Pillar 3 disclosures for the year ended 31 December 2022 are published separately on the Group's website, www.vanquisbankinggroup.com.

P2 Funding and liquidity risk

1 2 3 —

Risk description

The risk that the Group has insufficient financial resources to meet its obligations (cash or collateral requirements) as they fall due, resulting in the failure to meet regulatory liquidity requirements, or is only able to secure such resources at excessive cost.

Mitigating activities and other considerations

- Funding and liquidity risks are managed within a comprehensive risk framework. This framework ensures that the Group and the Bank maintain stable and diverse funding sources and a sufficient holding of high-quality liquid assets such that there is no significant risk that liabilities cannot be met as they fall due. Funding and liquidity requirements are regularly monitored to support the strategy of the Group and Bank.
- Funding and liquidity risk is managed by the Group's Treasury function and is overseen by the ALCO Funding and liquidity metrics are monitored daily through daily liquidity reporting and monthly at ALCO meetings. Metrics are also included in the information packs presented to the Group's ExCo, Risk Committee and Board.
- The primary metrics used to monitor and assess the adequacy of liquidity is the Overall Liquidity Adequacy Rule (OLAR) (which is the Board's own view of the Group and Bank liquidity needs as set out in the Board approved Internal Liquidity Adequacy Assessment Process (LAAP)), the Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR). Liquidity is managed by working to ensure compliance with the most binding metric and is monitored on a solo and consolidated basis.
- During 2022, a significant amount of work was undertaken to update the ILAAP. The 2022 Board approved ILAAP is the first ILAAP prepared for the consolidated Group and excludes the CCD which was closed in December 2021. The ILAAP demonstrates that the Group and Bank have sufficient high-quality liquid assets to meet severe but plausible stress scenarios.
- Treasury conducts regular and comprehensive liquidity stress testing to ensure that the Group and Bank's liquidity position remains within the Board risk appetite. Stress testing covers idiosyncratic, market-wide and combined stress scenarios, including reverse stress testing.
- The Group and Bank have maintained liquidity ratios in excess of regulatory and internal requirements throughout the year and continue to hold significant levels of high-quality liquid assets (HQLA). The liquidity position was managed to more normalised levels following action that was taken during the Covid-19 pandemic.
- Throughout the year, the Bank has demonstrated that it continues to have access to the retail deposit market through fixed rate deposits. The Bank is seeking to widen the range of retail deposit products that it offers, increasing the pool of retail deposits it has access to as well as helping to alleviate upward movements in funding cost.
- Following the approval of the CUG waiver, retail deposits will provide most of the funding for the Group, resulting in lower cost of funds. Wholesale funding sources will be maintained to ensure diversity of funding sources and provide contingent funding options.
- If the Group or Bank was to encounter a significant stress on liquidity resources, a Recovery Plan is maintained which includes options to ensure that they can remain sufficiently liquid to remain viable. Recovery Plan Early Warning Indicators (EWIs) and Invocation Trigger Points (ITPs) are regularly monitored and reported against. During 2022, the Recovery Plan was enhanced to ensure compliance with latest regulatory guidance, as well as ensuring that all recovery options were appropriately considered. The Group and Bank continue to have a wide range of recovery options available.

Links to strategy

1 People and Culture
2 Growth and Sustainability
3 Customer and Community

Risk trend

↑ Risk improving (overall level of risk is decreasing)
— Risk stable (no change)
↓ Risk deteriorating (overall level of risk is increasing)

P3 Market risk

1 2 3 ↑

Risk description

The risk that the net value of, or net income arising from, assets and liabilities is impacted as a result of changes in market prices or rates, specifically interest rates, currency rates or equity prices.

Mitigating activities and other considerations

- Market risk is managed by the Group's Treasury function and is overseen by the ALCO. The Group and Bank do not take significant unmatched positions and do not operate trading books.
- The Group and Bank use interest rate sensitivity gap analysis to inform the Group and Bank of any significant unmatched positions.
- The interest rate risk position is reported on a monthly basis to the ALCO and includes risk appetite metrics set for both earnings at risk (EaR) and market value sensitivity (MVS). These are assessed against a 100bps and 200bps parallel shift in rates respectively.
- The Group and Bank also monitor their exposure to economic value of equity (EVE), against a 200bps parallel shock in interest rates, as well as the six standardised shocks prescribed by the Basel Committee on Banking Supervision (BCBS).
- Throughout 2022, a significant amount of work has been undertaken to validate the interest rate risk position on a behavioural basis and introduce the capability to transact interest rate derivatives to manage the residual interest rate risk position. This culminated in the transaction of interest rate derivatives (SONIA linked) in the second half of the year.
- The Group and Bank monitor their exposure to basis risk, with Bank of England base rate and SONIA the only external reference rates used. The Group does not have any exposure to LIBOR.
- The Group continues to monitor potential implications for the strategy in response to financial market turbulence and undertakes reviews of product pricing to ensure it is consistent with markets and cost of funds.

P4 Credit risk

1 2 3 —

Risk description

The risk of unexpected credit losses arising through either adverse macroeconomic factors or parties with whom the Group has contracted failing to meet their financial obligations.

Mitigating activities and other considerations

- Credit risk remains a key focus for the Group given the current macroeconomic environment.
- The Group continues to monitor the impact of the cost of living crisis on portfolio performance, and internal measures have been put in place to help mitigate potential risks. These include, but are not limited to, alignment of creditworthiness assessments to the latest official inflationary outlook, production of targeted management information, and enhanced forbearance programmes. Ongoing executive focus is maintained through a Cost of Living Forum, jointly chaired by the CRO and the COO, together with standard Risk Committee reporting.
- The Group's credit risk appetite is under regular review by the Credit Committee and Risk Committee to ensure that it remains aligned to current market and economic conditions.
- A cross-functional working group is in place to create a centre of excellence for calculation of provisions under IFRS 9. The working group ensures that there are suitably skilled resources with clear accountabilities, effective governance arrangements, optimised models, aligned activities and effective management information and insights across the Group.
- Performance of risk models is being closely monitored by the Group, with adjustments implemented where any continued deviation from expected performance is evidenced.
- The Group continues to pursue opportunities to supplement existing data sources to enhance both credit and affordability risk, i.e. open banking.

P5 Strategic execution risk

1 2 3 ↑

Risk description

The risk of making and/or executing poor strategic decisions related to acquisitions, products, distribution, etc. as a result of ineffective governance arrangements, processes and controls.

Mitigating activities and other considerations

- The Board and its sub-committees make risk-based decisions in the formulation of their business strategy, in line with their Delegated Authority Framework and Risk Appetite Framework and subject to independent oversight from the Risk function.
- Board Governance Manual and Delegated Authorities Matrix (DAM) is in place to provide a framework for key decision making at all levels across the Group.
- Executive director scorecards are in place, with reward incentives based on a combination of financial and non-financial measures.
- Group Risk Appetite Framework is in place with agreed metrics and thresholds approved by the Board.
- Strategic and emerging risks are reported to the GEC and GRC on any areas of concern.
- Risk overlay is completed annually by the Group CRO on behalf of the Remuneration Committee (RemCo) to provide recommendations on adjustments to variable reward where governance has failed.

P6 Climate risk

1 2 3 —

Risk description

The physical risk of the impacts of climate change and the business risk posed to the Group and its counterparties related to non-compliance costs and financial loss associated with the process of adjusting to a low carbon economy.

Mitigating activities and other considerations

- Group-wide Climate Strategy and Policy is in place to ensure appropriate governance, controls and processes are in place to support compliance with TCFD requirements and broader ESG strategy (including net-zero targets).
- Climate Risk Committee is in operation, supported by Climate Risk and Environmental Working Groups, facilitating the integration of climate considerations into the Group's broader Risk Management Framework through its reporting lines into the Customer, Culture and Ethics Committee and Group Executive Committee.
- Quantitative Climate Risk Scenario Analysis and Stress Testing Framework is in place to inform forward-looking strategy, with scenarios proposed to identify potential financial impacts of transition and physical climate-related risks. ICAAP activity continues to take account of material climate-related financial impacts, meeting PRA requirements.
- The Group continues to offset its direct operational carbon footprint via sustainable development projects and all main Group premises maintain ISO 14001:2015 compliant status.

P7 Legal and governance risk

1 2 3 ↑

Risk description

The risk that the Group is exposed to financial loss, fines, censure or enforcement action due to failing to comply with legal and governance requirements as a result of ineffective arrangements, processes and controls.

Mitigating activities and other considerations

- The Group simplified and strengthened its governance structure by collapsing and consolidating the Vanquis Banking Group and VBL Board executive structures.
- Board Governance Manual and Group Delegated Authorities Framework is in place, setting out key decision making at all levels across the Group.
- Board effectiveness is assessed on an annual basis with action plans in place to promote a culture of continuous improvement.
- Explicit approval from the Board is required before any decisions and actions are made that could result in risks materialising outside of appetite.
- Conflicts of Interest Policy and processes are in place to ensure all employees meet their fiduciary responsibilities.
- All regulatory interactions are recorded and tracked, with regular reporting through the executive and Board committees to ensure consistency and read across through a Group lens.
- The Group proactively engages with regulatory authorities and industry bodies on forthcoming regulatory changes.
- Governance arrangements are continuously reviewed to ensure they are designed and operating effectively to meet the Group's objectives.

Links to strategy

1 People and Culture
2 Growth and Sustainability
3 Customer and Community

Risk trend

↑ Risk improving (overall level of risk is decreasing)
— Risk stable (no change)
↓ Risk deteriorating (overall level of risk is increasing)

P8 Financial crime risk

1 2 3 —

Risk description

The risk that the Group's products and services are used to facilitate financial crime against the Group, customers or third parties.

Mitigating activities and other considerations

- The Group is committed to operating a strong and risk-proportionate set of systems and controls to manage the risk within appetite.
- The second line Financial Crime Oversight team has been significantly enhanced with regards to capacity and capability.
- A revised Group-wide financial crime assessment approach established to set control requirements which define the standards by which financial crime risk will be managed.
- New AML, CTF and Sanctions Policy has been implemented which sets out control standards and requirements in line with the Group's Financial Crime Risk Assessment Methodology.
- Regulatory actions and notifications are monitored and managed in line with relevant timescales, and regular horizon scanning takes place to identify relevant and significant regulatory change.
- A Customer Lookback Project was successfully completed in March 2022, whereby 100,000 alerts were manually reviewed. This gave the Group confidence of Politically Exposed Person (PEP) records and that no relationships exist with individuals subject to economic sanctions.

P9 Conduct and regulatory risk

1 2 3 ↑

Risk description

The risk of customer detriment due to poor design, distribution and execution of products and services or other activities which could lead to unfair customer outcomes or regulatory censure.

Mitigating activities and other considerations

- A Group-wide Conduct Risk Framework has been developed, with plans in place to further embed its requirements across the Group. This enables the Group to demonstrate adherence to the requirements set out within the FCA's three-year Strategy and Annual Business Plan and includes improved monitoring of customer outcomes across all high-risk interactions such as lending, forbearance, vulnerability and complaints.
- A programme of activity has been established to meet the requirements of the FCA's Consumer Duty regulations coming into force 2023-2024. The Board and Risk Committee are provided with regular updates to support their oversight.
- As part of risk harmonisation, the legacy divisional Conduct and Compliance teams have been centralised and report to the Group's Chief Conduct and Compliance Officer who continues to consolidate consistent and best practices.
- Conduct Policies and Procedures are in place to ensure the Group has appropriate controls and processes to deliver fair customer outcomes.
- Group Complaints Forum and reporting were established to ensure the Group is learning from complaints trends across products, including any FOS referrals or upholds and actions of claims management companies. This has resulted in a number of strategic changes outlined in the Group's emerging risks: 'Threats to our business model' and 'Responsible lending'.
- As part of the Group's response to the cost of living crisis (COLC), a number of steps have been taken, including reviewing the range of support available to customers and setting up a Cost of Living Forum, which closely monitors for early indicators of cost of living pressures in the Group's book performance, to enable any remedial action to be taken as required. The Group has proactively liaised with regulators to share insights on the COLC impact, providing updates on the outcome of the Group's monitoring and adjustments to its credit risk approach throughout the year. The FCA have concluded a review of Cost-of-Living Crisis Forbearance Outcomes which Moneybarn were selected to be part of. The findings, received on 3 February 2023, were consistent with an internal review performed during 2022 which initiated a programme of work to enhance the effectiveness of operational areas to deliver improved customers outcomes. This in-flight programme will be further enhanced to reflect any additional areas of concern raised by the FCA.
- A Compliance Monitoring Programme is in place, supported by a robust methodology and approved by the Risk Committee, to assess the adequacy and effectiveness of the control frameworks in place and supporting fair customer outcomes and regulatory compliance.
- The Group proactively engages with regulatory authorities on a frequent basis.

P10 People risk

1 2 3 ↑

Risk description

There is a risk that we have insufficient operational capacity and colleagues with the right skills in meeting our financial, customer and regulatory responsibilities.

Mitigating activities and other considerations

- People and HR function centralised to streamline critical people management activities across the Group.
- People Risk Forum to support the management of key people-related risks.
- Operational Effectiveness Steering Group (OESG) implemented to govern and manage the risks associated with structural changes.
- Succession plans completed and in place for all Executive and Senior Management.
- Communications have and continue to be shared with colleagues across the Group to keep them apprised of business changes and to support wellbeing.
- Full health and safety risk assessment completed of all our key work locations with mitigating actions completed.
- Recruitment, onboarding, training and exit processes have been strengthened across the Group.
- Consistent frameworks have been developed and embedded for Group reward, performance management (Be Better) and talent management.

P11 Technology and information security risk

1 2 3 ↑

Risk description

The risk arising from compromised or inadequate technology, security and data that could affect the confidentiality, integrity or availability of the Group's data or systems.

Mitigating activities and other considerations

- An IT shared service operating model has been implemented to seek commercial and cost opportunities and manage associated risks effectively and efficiently across all product lines.
- An IT Strategic Programme is in place to deliver new architecture to embrace modern principles of open architecture, supporting easy addition, upgrade and replacement of components and the use of scalable cloud services, while continuing to address key areas of technical debt.
- A cyber security strategy has been developed to align security across the Group and implement a consistent and robust service which supports the delivery of the overall business and IT strategies.
- Continued progress with the IT First Line Controls Review (FLCR), enhancing IT control effectiveness and risk maturity across the Group and transitioning risk and control ownership into business as usual (BAU) activity.

Links to strategy

1 People and Culture 2 Growth and Sustainability 3 Customer and Community

Risk trend

↑ Risk improving (overall level of risk is decreasing)
— Risk stable (no change)
↓ Risk deteriorating (overall level of risk is increasing)

P12 Operational risk

1 2 3 ↑

Risk description

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Mitigating activities and other considerations

- The Group's three lines of defence model ensures there are clear lines of accountability between management which owns the risks, oversight by the Risk function and independent assurance provided by Internal Audit.
- The Risk Harmonisation Programme, which provides a more consistent and integrated approach to risk management across the Group, has moved from implementation to embedding stage. The programme is delivering a single Enterprise Risk Management Framework, consolidated Risk Policies and methodologies, and risk reporting capability.
- An integrated Risk Management System (Riskonnect) has been implemented which provides a central and secure repository of risk information across the Group's three lines of defence. Implementation of the system significantly enhances the Group's risk management capability, improved risk and control effectiveness, and realised resource efficiencies with the automation of processes and reporting.
- The Risk and Control Self-Assessment (RCSA) process has been subject to a budgeted programme of improvement activity, jointly sponsored by the Chief Operations Officer, Chief Information Officer and Chief Risk Officer. This programme has enhanced the accuracy, completeness and reliability of risk and control data.
- A fully standardised model for supplier management is being embedded, which includes the implementation of a new Supplier Relationship Management (SRM) Framework, Change Governance Framework, Portfolio Working Group and Transformation Executive Committee, and alignment of the Operational Resilience and Supplier and Third-Party Risk Management Frameworks.
- Work is progressing on the implementation and embedding of a harmonised change management control environment across the Group.

P13 Model risk

1 2 3 —

Risk description

The risk of financial losses where models fail to perform as expected due to poor governance (including design and operation).

Mitigating activities and other considerations

- Model Risk Management Framework and Policy, Target Operating Model and supporting modelling standards are in place.
- Material models across the Group are independently validated as required in the policy.
- Group model inventory, containing key models across the Group, is reviewed and updated on a regular basis and has all the necessary information to enable effective model risk reporting and planning.
- High-risk issues and findings on material models are addressed urgently and outstanding model risk issues and findings are monitored and reported to relevant governance forums across the Group.
- Group Model Governance Forum meets regularly and effectively provides model risk oversight, driving a standardised approach to model development and governance across the Group.
- Existing Group Model Risk Management Framework has been assessed against the PRA's proposed Model Risk Management Principles (CP6/22) and found no material gaps.
- Enhancements made to the existing IFRS 9 models with further improvements planned on the governance, performance monitoring and methodology of these models.

Strong relationships with our regulators

We have continued to focus on maintaining strong and proactive relationships with our regulators.

Key regulatory interactions

- Strong proactive relationships with regular lines of communication are in place with both the FCA and the PRA which are kept abreast of our strategic initiatives, key risk management activities and response to regulatory developments, in particular the FCA's forthcoming Consumer Duty regulations.
- The Group have attended a number of round table events hosted by the FCA to review the consumer duty requirements and we provide regular updates on how we are progressing with our plans to implement the consumer duty requirements by July 2023.
- We continue to have regular dialogue with the FCA on how we are supporting our customers through the current cost of living crisis.
- Following the PRA's Periodic Summary Meeting (PSM), we have successfully completed all actions that we agreed with the PRA. In summary, the actions related to the embedding of governance changes and the Risk Management Framework and continuing to be proactive in engaging with the PRA on the business model and strategy, particularly any structural changes or financial arrangements. Over the course of the year, we have continued to proactively engage with the PRA on developments related to the actions, as demonstrated through our engagement regarding the successful waiver application, regular updates on the monitoring of our book performance and further embedding of the Risk and Governance Framework, including the implementation of the new Risk System.

Group viability statement

In accordance with the 2018 FRC Corporate Governance Code, the directors confirm that they have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the next three years to 31 December 2025 (the Viability Period). The Viability Period represents the period over which the Board has a reasonable degree of confidence over anticipated events, including prospects for the macroeconomy, and also provides an appropriate outlook over the medium to long term.

In making the Group viability statement, the directors have made an assessment of the Group's current financial position and prospects, as outlined within the Strategic Report, together with the principal risks and other factors likely to affect the Group's future performance and development. This assessment is made following consideration of a wide range of information, including:

– the Group's corporate plan, which sets out financial, capital, liquidity and funding projections, together with an overview of relevant risks;

– the principal and emerging risks which could impact the performance of the Group;

– a severe but plausible stress testing scenario, which is designed to assess the potential impact of certain underlying risks on the Group's capital and funding resources, together with the availability and effectiveness of mitigating actions; and

– reverse stress testing analysis, which is designed to assess the point at which Group is no longer a viable concern.

The Group's corporate plan was approved by the Board in December 2022. In doing so, the Board reviewed detailed forecasts for the three year period to December 2025 and also considered less detailed forecasts for 2026 and 2027. These higher level outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Group.

The Group's annual planning process takes into account the Group's strategic objectives and business model. The business model focuses on relatively short-term lending to consumers and operates conservative underwriting. The plan makes certain assumptions about the regulatory environment, future economic conditions and anticipated changes within the markets in which the Group operates and also makes an assessment of the Group's ability to fund new business growth.

The Board obtains independent assurance from Group Risk over the alignment of the corporate plan with the Group's strategy and the Board's risk appetite. Specific focus is placed on capital risk as well as liquidity and funding risk. The assessment also considers the key risks which may impact delivery of the Group's operating plan. The Group's principal risks are included on pages 59 to 65.

The corporate plan is based on a macroeconomic scenario which was in line with market consensus estimates and which assumes that the UK economy would continue to weaken, with expectations of a recession throughout 2023 driven by lower real wages, further increases in the UK Bank Rate and a higher tax burden. Inflation is expected to remain elevated in early 2023 before subsequently falling back towards the end of 2023, in part driven by the diminished impact of the exceptional increases in energy costs seen in 2022. The plan assumes that the UK unemployment rate rises in 2023 and 2024, peaking above 6% in 2025 before a gradual decline thereafter.

Board approval of the corporate plan follows a number of specific reviews of the plan provided by Group and divisional management, together with other regular briefings on and discussion of new strategies, business developments and current financial performance. These reviews consider a range of market opportunities and developments, together with associated risks from within the Board's risk appetite framework.

As the Group has adopted a bank funding model, it no longer pre-funds maturities 12 months in advance. Instead, the Group now manages its liquidity to meet the Overall Liquidity Adequacy Rule (OLAR) and to ensure that it can meet its liabilities as they fall due. The level of liquidity required by the OLAR is determined by the Internal Liquidity Adequacy Process (ILAAP) and is based on an analysis of its business as usual forecast cash requirements but also considers their predicted behaviour in stressed conditions. In recognition of the waiver received in November 2022, which allows Vanquis Bank Limited to fund the vehicle finance business, the ILAAP also includes an assessment of the liquidity needs of the wider Non-Bank Group. The Group has sufficient access to liquidity resources, including retail deposits, secured funding on its assets and access to wholesale markets. Furthermore, the Group has plausible options available to it, should the need arise, to either reduce the liquidity requirements or to increase the amount of liquidity it has (or can raise).

The corporate plan has been stress tested using a severe macroeconomic scenario which is broadly consistent with the 'rates-up' scenario published by the PRA on 14 October 2022. The stress test scenario envisages that the UK economy enters a period of stagflation in 2023 with inflation rising to approximately 17% and the UK Bank Rate rising to 6%. As a result, the UK unemployment rate rises to approximately 8.5%. The stress test scenario takes into account the availability and effectiveness of mitigating actions which could be taken by management to avoid or reduce the impact of the macroeconomic stress. The corporate plan has also been reverse stress tested to the point of non-viability after reflecting available mitigating actions. The viability assessment concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as set out on page 118 and page 158.

Our Governance Report 2022

Welcome to our Governance Report for 2022.

Compliance with the UK Corporate Governance Code

For the year ended 31 December 2022 the Board considers that the appropriate corporate governance standards were in place. For the period under review, the Board believes that the Company complied in full with the provisions of the 2018 UK Corporate Governance Code (the Code).

This report explains the main aspects of the Company's governance structure to give a greater understanding of how the Company has applied the principles and complied with the provisions of the Code. The Corporate Governance Statement also explains compliance with the FCA's Disclosure Guidance and Transparency Sourcebook. The UK Corporate Governance Code is published by the Financial Reporting Council (FRC) and is available on its website, www.frc.org.uk.

Further information on the Company's corporate governance arrangements and compliance with the Code can be found as follows:

	Page	Code principle
Board leadership and Company Purpose	69	
Chairman's introduction to governance	69	
Our Board	71	A
Setting our strategy	74	C
Promoting long-term sustainable success: Board focus areas during 2022	76	A
The Board: our culture	79	B
Stakeholders and decision making	82	
Stakeholder engagement and decision making	82	D, E
Effective engagement with shareholders and stakeholders: investor relations	87	D
Division of responsibilities	88	F, G, H, I
Composition, succession and evaluation	91	
Board composition	91	J, K
Director induction and training	92	
Assessing Board performance – annual Board evaluation	93	L
Nomination Committee Report	95	J, K
Customer, Culture and Ethics Committee Report	100	B, D
Audit, risk and internal control	103	
Audit Committee Report	103	M, N
Risk Committee Report	108	O
Directors' Report	112	
Directors' Remuneration Report	119	P, Q, R

Chairman's introduction to governance

> I have enjoyed spending time with colleagues in London, Petersfield and Bradford this year. Our colleagues have helped define our values to deliver our Purpose and good customer outcomes.
>
> **Patrick Snowball**
> Chairman

Dear Shareholder

I am pleased to introduce the Corporate Governance Report for 2022 and reflect on the excellent progress we have made continuing to position the business for success toward our Mission to be the first-choice bank for people excluded from accessing financial services from traditional lenders. You can read in detail about our story and our strategy in our Strategic Report.

As we reported to you last year, 2022 has been the first year we have operated a largely common Board membership for Vanquis Banking Group plc and Vanquis Bank Limited. I am happy to report that the structure has proven successful, delivering the benefits of reduced administration and more aligned and efficient decision making. An internal audit of our governance structure has confirmed its effectiveness. In addition, the Board has undergone an independent effectiveness evaluation this year, the results of which are discussed on pages 93 and 94. There were several strengths noted in the report and I am particularly proud of the healthy dynamic and lively discussions that were noted. I would also like to thank the Board Committee Chairs who were all complimented on fulfilling their roles to a high standard.

Our environment doesn't stand still and as a Board we continue to adapt, learn and strive for continual improvement. Reflecting many of the Company's directors' new roles on the Vanquis Bank Board, the output from our Board Skills Matrix process and our 2021 Board evaluation process, a comprehensive Board training plan has been executed throughout the year addressing specific areas relevant to the directors of a regulated bank. You can read about ongoing director training on page 92.

Our governance arrangements will continue to be the guiding framework by which we make our decisions and that support us to run our business in a well organised manner.

Our Purpose and culture

At the heart of everything we do is our Purpose of 'helping to put customers on the path to a better everyday life'. Our strategy has been reviewed and refreshed this year in light of our evolving business model and we have expanded it to articulate our vision, Mission and areas of strategic focus. Our strategy rightly puts our customers at the heart of everything we do and, from a governance perspective, we are focused on ensuring we have a framework in place that delivers this customer-centric approach. We progressed well toward this aim when we established our CCE Committee in 2019. As part of our programme to implement the FCA's new Consumer Duty Regulation, we are taking the opportunity to review our governance framework. Any enhancements we make will be designed to preserve customer outcomes as the predominant feature of our oversight responsibilities. Enhanced reporting will help the Board continue to embed customer outcomes at the heart of our business and support the Board to oversee our commitment to help our customers strengthen their financial future. You can read more about how we support our customers on page 3 of our Strategic Report.

It is the Group's ambition to create a truly inclusive workplace. I am impressed by the highly active Affinity Groups that make up the Group's inclusion community and note particularly the diverse and informative wellbeing webinar support sessions that have been well attended by our colleagues. Our inclusion community continues to evolve with a Social Mobility Affinity Group established in November 2022.

Our Purpose and culture continued
You can read more in our Sustainability update on page 39 and 40 and about the Board's role in shaping and overseeing our culture on page 79 to 81 and in our CCE Report on page 100. You can also read about the Board's activities in relation to the oversight of inclusion and diversity in our leadership team and wider workforce in our Nomination Committee Report on page 95 to 99.

Effective risk management and governance
I am encouraged by the improvements to the Group's overall risk profile and particularly the improved conduct risk position, which has been the result of several years of work. The Board, through its Risk Committee, has paid particularly close attention to credit risk in response to the cost of living crisis. The Board requested enhanced credit risk reports throughout the turbulent market conditions and will continue to be mindful of the financial challenges facing our customers as a result.

The Group's principal risks remained consistent throughout the year and the Risk Harmonisation Programme is delivering on its objective to provide an integrated and stable approach to risk management across the Group. With execution risk also top of mind, the Board has continued to request specific second and third line assurance over prominent projects. These include the First Line Control Review and the IT Transformation. The Board's reporting templates require a risk assessment to be completed on every paper which helps to inform the decision making process. You can read more about Risk Management, our Principal and Emerging Risks, including trends and mitigations on page 54 to 66. The report from our Risk Committee can be found on page 108.

Growth and sustainability
This year we have brought our businesses together under a unified leadership and governance structure with centralised support functions to provide efficient services across our three product areas. The Board has overseen the execution of these plans which aim to position the Group for long-term and sustainable growth. Much management time and effort have gone into planning a careful transition to a modern IT infrastructure and the Board and Risk Committee remain close to this programme. The Chief Technology Officer has reported to several Board and Risk Committee meetings on the progress against the IT transformation plans. The Board draws on its wealth of experience and any further resources as required, in order to guide and support management to deliver a programme of this scale to the benefit of its stakeholders.

In January 2023 we announced that we had taken the decision to rename our Company 'Vanquis Banking Group plc'. This is the next step to help fuse our group of businesses together and demonstrates to our stakeholders the progress we have made toward our Mission. The Board considered this in detail, particularly the stakeholder implications, and you can read more about this principal decision and the Board's consideration of stakeholders implications on page 75.

Board composition, succession and effectiveness
On 26 January 2023 we announced that Malcolm Le May had decided to step down as CEO and we had appointed Ian McLaughlin, who is due to join the Group as CEO during summer 2023, subject to regulatory approval. My deepest thanks go to Malcolm for his enormous contribution to the Group during his tenure. I was also pleased to announce Melanie Barnett as our new General Counsel and Company Secretary. You can read about Ian and Melanie's appointments on page 97 of our Nomination Committee Report.

On 9 March 2023 we announced the appointment of Michele Greene as non-executive director and I would like to take this opportunity to welcome Michele to the Board. I am confident that the Board's composition is appropriate to fulfil its role effectively. You can read more about Michele's appointment and the Nomination Committee's work on Board composition on page 95 to 99.

Andrea Blance, our Senior Independent Director and Remuneration Committee Chair, reaches the end of her second three-year term in 2023 and three of our non-executive directors will be approaching the end of their second three-year terms in 2024. As such I, along with the Nomination Committee, have been taking actions to ensure proactive and robust plans are in place for succession. All of our directors will stand for re-election at our 2023 AGM and our non-executive directors continue to be independent, as set out on page 90. Diversity and inclusion is a strong focus area for our Nomination Committee when reviewing our talent and succession plans and our talent pipeline. You can read more about both these activities in the Nomination Committee Report on page 95 to 99.

This year's Board evaluation was externally facilitated by Independent Audit. I am incredibly proud of all the Board has achieved together with the help of all our colleagues since I joined the Company, and you can read more about the process and the findings of this year's evaluation on pages 93 and 94, alongside progress that we have made to address our 2021 evaluation actions.

Environment and community
I am very proud of the Group being externally recognised for its environmental and social responsibility achievements which is testament to the hard work and effort of our colleagues. You can read more about this in our standalone Sustainability Report.

In 2021 we identified climate risk as a principal risk and management established a Climate Risk Committee. We continue to evolve our reporting capability to meet the Task Force on Climate-related Financial Disclosures (TCFD) requirements overseen by our Audit Committee. The Board has further commissioned research to deepen our understanding of our Level 3 GHG emissions. The appropriate governance arrangements are in place in this evolving area to oversee the targets we have set and the publication of our environmental data.

We have built strong relationships within our communities as described in our Sustainability Report and I am pleased to report that our Vanquis Banking Group Foundation furthers this aim. The Board has considered the Foundation's funding and strategy and welcomes the alignment of its target causes to the Group's Purpose and values.

Management continues to evolve our stakeholder practices and policies guided by our Board approved stakeholder engagement strategy. Please see our business model on page 20 and the stakeholder section on page 82 to 85 for further information.

Dividend
I am delighted to report that the Board has proposed a final dividend of 10.3p per share to shareholders in respect of 2022 after taking into account regulatory capital requirements, levels of sustainable receivables growth and the resultant IFRS 9 impairment provisions. Our Board is focused on delivering stable and sustainable dividends in future periods.

AGM
Our 2022 AGM was held at our Head Office in Bradford and we were able to invite shareholders to attend in person. We also provided the opportunity to follow the meeting remotely via a live webcast and to submit questions to the Board in advance of the meeting. This year we will retain the live webcast arrangements and hold our AGM in London at the offices of Clifford Chance, 10 Upper Bank Street, London, E14 5JJ on 25 May 2023 at 11.30am. I look forward to meeting shareholders at our next AGM.

Patrick Snowball
Chairman
30 March 2023

Our Board

Committee key:

- A Audit Committee
- C Customer, Culture and Ethics Committee
- D Disclosure Committee
- N Nomination Committee
- Re Remuneration Committee
- Ri Risk Committee
- Committee Chairman

Patrick Snowball N
Chairman

Appointed: 21 September 2018

Tenure: 4 years

Career and experience:
Patrick was CEO of Suncorp Group Limited, an ASX 20 Australian financial services group, between 2009 and 2015 where he successfully led the turnaround of the group following the global financial crisis. Before joining the Board, Patrick was Chairman of IntegraFin Holdings plc between 2017 and 2018 and was Chairman of Sabre Insurance Group plc until September 2020. Prior to this Patrick was a Non-Executive Director at Jardine Lloyd Thompson Group plc from 2008 to 2009, Deputy Chairman at Towergate Partnership between 2007 and 2009 and a member of the FSA Practitioner Panel from 2006 to 2008.

Patrick's contribution to the Board, key strengths, skills and reasons for re-election:
Patrick's unique career and experiences bring a wealth of skills to the Board. In particular, as Chairman, his previous leadership and demonstrable success in driving change, strengthening governance, creating strong and effective boards, and instilling stability through a positive culture are key strengths he brings to the Board.

- Experienced chairman, non-executive director and chief executive officer.
- Extensive experience of the financial services industry and the regulatory environment.
- Wealth of knowledge of the challenges faced by the financial services sector, acquired over a 30-year career.
- Long track record in leading companies to develop and deliver growth plans.
- Change project management, typically involving digital transformation and brand building.
- Building strong customer relationships and leveraging data and insights, as well as leading and developing wider stakeholder engagement.

Current external appointments:
- Director at The Old Dove Dairy Limited.

Malcolm Le May D
Chief Executive Officer

Appointed as CEO: 1 February 2018

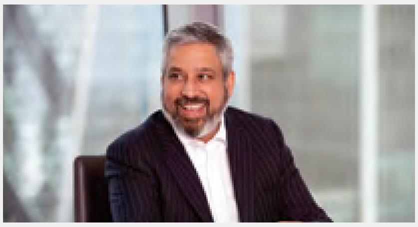
Tenure: 9 years

Career and experience:
Malcolm joined the Group as an Independent Non-Executive Director in 2014, becoming Interim Executive Chairman in November 2017. Malcolm provided effective leadership to the Board, working with it to redefine roles and responsibilities, and initiated a process to ensure the Board had the right mix of skills, experience and diversity. Prior to joining the Group, he held several senior positions within banking, including as Co-Head of Banking for Barclays in New York, Head of European Investment Banking at UBS and Deputy CEO at Morley Fund Management (now Aviva Investors).

Malcolm's contribution to the Board, key strengths, skills and reasons for re-election:
Malcolm's extensive career, his deep knowledge of various businesses and sectors, his understanding of the regulatory environment and turnaround situations and his proven leadership skills are considered by the Board to be invaluable qualities that make him best placed to lead the business, as well as effectively contributing to the Board.

- A deep knowledge and experience of the financial services industry and regulatory environment.
- Relationships with key stakeholders, such as investors and the Group's banks, enabling the Group access to funding.
- The strengthening of the Group's governance framework and the realignment of the Group's culture more closely to the developing needs of the customer.

Current external appointments:
- Non-executive director of IG Group Holdings plc (including non-executive chairman of North America IG).
- Trustee at the Grange Festival.
- Trustee at Peace at the Crease.



Neeraj Kapur D
Chief Finance Officer

Appointed: 1 April 2020

Tenure: 3 years

Career and experience:
Neeraj was Group Chief Financial Officer of Secure Trust Bank plc, a UK retail and SME bank. He is an experienced chief financial officer with a strong retail banking background, including consumer finance and savings products expertise. He brings versatility and intellectual agility to the Board and Group Executive Committee.

Neeraj's contribution to the Board, key strengths, skills and reasons for re-election:
As a qualified accountant, Neeraj is technically strong and has a diverse background that has included time as a pilot in the RAF and an entrepreneur running his own business and working in a large-scale regulated bank. Neeraj has a strong retail banking background, including consumer finance and savings products expertise, and has experience in accounting, finance, professional services, governance, operations, marketing and risk.

- Experienced chief financial officer.
- Significant experience in leading end-to-end finance functions, including for a bank and other corporates, as well as managing accounts for individuals and small business owners.
- Proven ability to build effective working relationships with key stakeholders, including regulators, investors and analysts.
- Deep understanding of, and strong experience in, the Group's sector.

Current external appointments:
- Trustee at Combat Stress.
- Trustee at The Worshipful Company of Chartered Accountants.
- Member of the finance audit and risk committee of the RAF Club.

Andrea Blance N A Re
Senior Independent Director (SID)

Appointed: 1 March 2017

Tenure: 6 years

Career and experience:
Andrea has extensive board and financial services experience. She spent her executive career at Legal & General Group plc, where she was a member of the group executive committee and held a range of senior leadership roles, including Divisional Chief Financial Officer, Group Financial Controller, Group Chief Risk Officer and Strategy and Marketing Director. Andrea's past non-executive roles include Senior Independent Director and Audit Committee Chair at Reassure Group plc, Risk Committee Chair at Scottish Widows plc and Lloyds Banking Group Insurance, Non-Executive Director at The Mentoring Foundation and a member of William & Glyn's pre-IPO board.

Andrea's contribution to the Board, key strengths, skills and reasons for re-election:

Andrea brings a wealth of relevant experience, including her understanding of governance, the regulatory environment and conduct risk. She has extensive experience of strategy and customer marketing, complex change, finance and reporting, IR and stakeholder management.

- Experienced senior independent director, non-executive director, board committee chair and senior leader.
- Deep understanding of the financial services industry.
- Track record of working with businesses at different stages of development and supporting both growth and recovery strategies.

Current external appointments:

- Non-Executive Director at Hargreaves Lansdown plc.
- Non-Executive Director at Aviva plc.

Elizabeth Chambers

N Ri C

Independent
Non-Executive Director

Appointed: 31 July 2018

Tenure: 4 years

Career and experience:

Elizabeth is an experienced board director, senior financial services executive, strategist and marketing leader in the UK and globally. Her previous board experience includes being a Non-Executive Director at Hastings Group plc, Dollar Financial Group, Hibu plc (formerly Yell Group) and The Home and Savings Bank. Elizabeth served on the board of Western Union International Bank and boards relating to consumer finance joint ventures between Barclaycard and other brands, such as Argos and Thomas Cook. She has extensive executive experience through roles including Chief Marketing Officer at Barclays and Barclaycard.

Elizabeth's contribution to the Board, key strengths, skills and reasons for re-election:

Elizabeth brings more than 30 years of experience in strategy, marketing and product development across a range of financial services. As an executive, she has a long track record of driving revenue growth and solving complex business challenges at major global financial institutions. In various roles she has led businesses through brand and reputation transformations, strengthened customer acquisition and engagement, built innovative digital businesses, and led major business turnarounds.

- C-suite marketing and communications executive, board director and strategist.
- Proven people leader.
- Broad and deep knowledge of financial services, including credit cards and payments products, a wide range of customer loan segments and marketing in a regulated environment.
- Substantial expertise in turnarounds, as well as M&A and cultural change.
- Wide exposure to international operations and the unique challenges of leading them.

Current external appointments:

- Non-Executive Director of University of Colorado Health Authority (non-profit).
- Non-Executive Director of Evelyn Partners and its subsidiaries.
- Non-Executive Director of TSB Bank Plc.
- Advisor to Currensea Limited.
- Operating Partner for Searchlight Capital and its portfolio companies.

Paul Hewitt

N A Ri

Independent
Non-Executive Director

Appointed: 31 July 2018

Tenure: 4 years

Career and experience:

Paul is an experienced chief financial officer, chairman, non-executive director and audit committee chair who operates in a number of different sectors. Paul's past non-executive director roles include chairing the audit committees of Tokio Marine, Kiln, NEST Corporation, Tesco Bank, Collins Stewart Hawkpoint, Charles Taylor Plc and GMT Global Aviation. He began his executive career in finance, working for over 20 years as a finance director of various companies, culminating in becoming Deputy Group Chief Executive and CFO of the Co-operative Group between 2003 and 2007.

Paul's contribution to the Board, key strengths, skills and reasons for re-election:

Paul's varied and wide-ranging career is built on a successful career in finance. He has a track record of creating and realising value for shareholders and has worked across a number of sectors including financial services, technology, healthcare, retail and business services. Through his non-executive roles he has helped several management teams adapt their business models to respond to, and anticipate, changes in their competitive and regulatory environments. In both his executive and non-executive career he has had extensive experience of transactions and ensuring that businesses have an appropriate financial structure.

- Experienced non-executive director, chairman and chief financial officer.
- Broad experience of the financial services industry and the regulatory environment.
- Strong track record in delivering good returns for shareholders.
- Extensive experience of transactions.
- Broad experience as both an executive and a non-executive of developing and challenging business strategies.
- Has helped several management teams adapt business models in anticipation of changes in their environments and markets.

Current external appointments:

- Non-Executive Director of Ombudsman Services Limited.
- Non-Executive Director of ICNH Limited (trading as DrDoctor).
- Non-Executive Director of E-Negotiation (trading as Amicable).
- Non-Executive Director of Optalitix Limited.

Angela Knight

N A Ri

Independent
Non-Executive Director

Appointed: 31 July 2018

Tenure: 4 years

Career and experience:

Angela has extensive experience in both the public and private sectors. Prior to joining the Board, Angela was CEO at Energy UK, the British Bankers Association (BBA, now the UK Finance) and APCIMS (now Personal Investment Management and Financial Advice Association). She was previously a Member of Parliament and Treasury Minister between 1992 and 1997 and was the Chairman of the Office of Tax Simplification from December 2015 to March 2019. Previously Angela was also a Non-Executive Director at Taylor Wimpey plc and Senior Independent Director at TP ICAP plc.

Angela's contribution to the Board, key strengths, skills and reasons for re-election:

Her experience in the public sector means Angela has a strong understanding of the expectations of regulators and other public stakeholders. This combination means she is a skilled director who knows how to manage organisations and how to challenge management to deliver. Angela's thought leadership, technical and policy skills, as well as a deep understanding of the financial sector, are demonstrated through her leadership of the repositioning of Energy UK in the energy sector and of the BBA through the banking crisis.

- Experienced Government Minister, CEO, chair and non-executive director.
- Wealth of knowledge of the financial services sector.
- Deep knowledge of regulated industries.
- Adept at solving difficult problems with effective solutions.
- Understanding of public presentation, in particular as a proficient public speaker.

Current external appointments:

- Non-Executive Director at Arbuthnot Latham & Co.
- Non-Executive Director at Encore Capital Group, Inc.
- Chair at Pool Reinsurance Company Limited.

Graham Lindsay

N Re C

Independent
Non-Executive Director

Appointed: 1 April 2019

Tenure: 4 years

Career and experience:
Graham has held a number of senior executive roles, including responsibility for the Lloyds branch network and as Corporate Responsibility Director. Graham joined the Wonga UK board in 2016 as part of the new leadership team engaged to improve the business and deliver change. Graham sat on the board of the Institute of Banking & Financial Services and on the Professional Standards Board. He is Senior Independent Director at One Family, a mutual life assurance business.

Graham's contribution to the Board, key strengths, skills and reasons for re-election:
Graham brings to the Board extensive experience in commercial and retail banking following a 40-year career at Lloyds Banking Group and a deep understanding across various distribution channels. Graham has had demonstrable success in focusing organisations on their customers, ensuring they are at the heart of decision making and product design. Graham also has a strong appreciation of the Group's regulatory environment.

- Extensive customer knowledge, strong customer focus and a track record of enabling and overseeing businesses to ensure that they put the customer at the heart of what they do.
- Significant stakeholder engagement experience.

Current external appointments:
- Senior Independent Director at OneFamily and Chair of the Pension Trustee Board.
- Vice Chair and Trustee at the Brain Tumour Charity.

Margot James

N Re C

Independent
Non-Executive Director

Appointed: 27 July 2020

Tenure: 2 years

Career and experience:
Margot served as a Member of Parliament between 2010 and 2019 and has held a number of ministerial offices, latterly as Minister of State for the Department of Digital, Culture, Media & Sport, where she championed the interests of both industry and consumers in the digital world. In her role as Parliamentary Under Secretary of State at the Department for Business, Energy & Industrial Strategy, Margot had responsibility for small businesses, consumers and corporate governance, including labour markets and the retail sector.

Margot's contribution to the Board, key strengths, skills and reasons for re-election:
Margot has a wide-ranging successful career in both the public and private sectors. Her public sector experience provides Margot with a strong understanding of the expectations of regulators and other public stakeholders, as well as strong knowledge of corporate governance, labour markets and the UK's technology and retail sectors. She has a track record of driving value for shareholders and has a demonstrable record as a successful entrepreneur and CEO.

- Experienced Government Minister and Member of Parliament.
- Results-focused entrepreneurial business owner.
- Strong track record as a CEO and business leader.
- Non-executive director and chair experience.
- Deep governance knowledge.
- Strong relationships with wider stakeholders in a variety of sectors.

Current external appointments:
- Executive Chair WMG at the University of Warwick.
- Emeritus Governor of the London School of Economics.
- Non-Executive Chair at Taso Advisory.

Michele Greene

N Ri C

Independent
Non-Executive Director

Appointed: 9 March 2023

Tenure: less than 1 month

Career and experience:
Michele is a highly experienced finance professional at executive and Board level. She has held senior roles at Virgin Money and MBNA Europe Bank and, prior to that, she worked across various finance functions at Goldman Sachs, Credit Lyonnais and KPMG Dublin. At Virgin Money, Michele was Director of Strategic Development, where she was responsible for establishing a credit card business on a newly built IT platform and was subsequently appointed as the Managing Director of the Virgin Money Digital Bank. Prior to that she was the Chief Financial Officer of MBNA Europe Bank between 2005 and 2013. In 2018 Michele co-founded of Mololo Limited, a boutique advisory company specialising in helping companies in the payments and unsecured lending space.

Michele's contribution to the Board, key strengths, skills and reasons for re-election:
Michele has over 25 years' experience of financial services and retail banking, particularly in the areas of payments and digital innovation. Michele has built significant experience in the development and growth of successful banking businesses.

- Extensive experience of financial services and retail banking, particularly in the areas of payments and digital innovation.
- Chartered Accountant and experienced business executive and finance professional with a strong track record as a CFO and MD.
- Deep knowledge within the consumer credit, card payments and digital banking sector.
- Proven ability to build effective working relationships with key stakeholders, including regulators, investors and analysts.
- Non-executive director and chair experience.

Current external appointments:
- Executive Director and co-founder of Mololo Limited.
- Non-Executive Director of Bank of Ireland Group plc.
- Non-Executive Director with J&E Davy Unlimited.
- Non-Executive Director of East End Fair Finance Limited.

Melanie Barnett

General Counsel and Company Secretary

Appointed: 19 August 2022

Tenure: less than a year

Career and experience:
Melanie is a senior corporate lawyer and formerly Head of Corporate, Group Corporate Structuring at HSBC Holdings plc, with two decades of multi-jurisdictional experience across a broad range of transactional and regulatory matters.

Melanie achieved a First Class Honours Degree in Law at Exeter University and LPC Distinction at the University of Law. Her career started at Norton Rose Fulbright in 1998, qualifying as a solicitor in 2000. Over the next eight years, Melanie specialised in Corporate Finance work, progressing to Of Counsel in 2007.

In 2008, Melanie transitioned to HSBC Holdings as Associate General Counsel in the Group Legal team, prioritising the Group's proprietary M&A transactions and general corporate and public markets advice. Melanie progressed to become Head of Corporate, Corporate Structuring in 2013, where she led the legal team on the demerger of HSBC Bank plc in the UK to create HSBC's ring-fenced bank in response to the 'Too Big To Fail' regulatory agenda, as well as the legal aspects of HSBC's global recovery and resolution planning, including significant restructuring. Melanie joined Vanquis Banking Group in September 2020.

Melanie's contribution to the Board, her key strengths and skills and reasons for election:
Melanie's legal experience has been gained predominantly in corporate finance, M&A, public markets and restructuring work and providing all aspects of corporate, commercial and regulatory advice. Melanie brings extensive experience and knowledge of the financial services sector.

Setting
our strategy

The Group remains committed to our strategy, which you can read about on pages 22-25:

1 People and Culture

2 Growth and Sustainability

3 Customer and Community

The refresh of our strategic drivers is detailed on pages 22-25. The Group's strategic drivers were refreshed to more clearly articulate the Group's vision and Mission, though our Purpose remains consistent with prior years: the Group continues to exist to put people on a path to a better everyday life and this is supported by our strategy. The Board reviewed the Group's strategy and monitored its implementation throughout the year. An in-depth review was undertaken of the Group's strategy at the Annual Strategy Conference, which you can read more about below. On page 76 you can see a review of Board activities during the year and how these link to the Group's strategy and on pages 51, 75, 77 and 85, the key strategic decisions made by the Board during the year are detailed. The Group recognises the importance of fostering an inclusive culture to execute our strategy in a sustainable manner. Further details on the alignment of our culture with our strategy are on page 79.

In continuing to develop our vision and Mission, the Group has recently enhanced the cultural framework through the addition of a clear articulation of the values and behaviours which should guide decision making.

Effective governance supporting delivery of strategic aims

In accordance with our Purpose, vision, Mission, and strategy, the Board oversaw the embedding of the integrated operating model, as approved and reported in 2021. Throughout the year, the Board of Vanquis Bank Limited operated alongside that of the Company. This has delivered a streamlined governance structure and reduced duplication, thus enhancing strategic oversight. Both the Board and the Nomination Committee received regular updates on the embedding of this operating model, which was also facilitated through the formation of dedicated, executive-led sub-committees. As part of a continuation of this strategic aim, the Board approved the re-naming of the Group as detailed on page 75.

As documented in the Matters Reserved for the Board, the Board has sole responsibility for setting the Group's strategy, reviewing its implementation, and overseeing the Group's operations through the effective monitoring of internal controls and risk management. The Board has delegated authority, as appropriate, to the Group CEO and its committees (see page 88, as articulated in the Group's Delegated Authorities Manual). This supports effective decision making through minimising duplication, ensuring those with relevant expertise scrutinise any proposal and the clear delineation of responsibilities. This effective delegation matrix ensures that Board attention is focused on matters of strategic importance, whilst the design of the Group's Board papers ensure that long-term considerations and the impact on the Group's principal risks are considered as part of any strategic decision making.

Committees supporting strategy

In carrying out their roles, the Board committees support the delivery of our strategy. The role, remit and activities of each of the committees of the Board are summarised on page 88 and in the committee reports on pages 95 to 111. The Committee Chairs report to the Board at each meeting on the work of their committee and escalate any concerns or risks for the Board's attention. KPIs are regularly reported to the Board, through management reports, to monitor the implementation of our strategy. The Group CEO and CFO produce separate reports to the Board, which include KPIs relating to operational performance, financial performance and performance against budget and strategy.

The Executive Committee, comprised of senior management and chaired by the CEO, is responsible for developing, proposing and implementing Board approved strategy in line with the culture, Purpose and values of the Group. In doing so, it is responsible for managing the Group's strategic risks and divisional risks alongside the Risk Committee where these risks are overseen in greater detail.

Long-term sustainable growth

Sustainable growth underpins all three elements of the Group's strategy. In June 2022, the Group held its annual Group Strategy Conference (the conference), attended by the Board and the Group Executive Committee. The agenda for the conference was developed by the Group Executive Committee, with input and direction from the Board. A key theme of the conference was the continued transformation of the Group, following the wind-down of the CCD business and the re-naming (see page 75). Consequently, discussion at the conference focused on the transformation of the customer service model to ensure cohesive customer outcomes (page 3-5) and the unification of the Group's technology systems (page 51) as part of the continued embedding of the refreshed operating model. The macroeconomic conditions and uncertainties experienced during 2022 were also a key area for discussion. The potential impact of the economic environment on the Group's long-term sustainability and prospects for growth remained under scrutiny throughout the year, with updated budget assumptions being presented to the Board periodically. The output from the conference was integrated into the Group's budget and five-year plan, thus informing the implementation of strategy.

Principal decision: Re-naming of the Group

The Board approved the re-naming of the Company to Vanquis Banking Group plc.

Decision making process

In recent years, the Group has evolved how, and to which customers, it provides credit. This has resulted in credit quality across the Group improving significantly, as illustrated by the Group's current average credit risk more than halving since 2019. During 2021, the Group's evolution continued and involved the closure of its home-collected credit business, which carried the 'Provident' brand. The Group chose to focus on its credit cards, vehicle finance and personal loans operations in the mid-cost and near-prime parts of the market. Accordingly, the Group has decided to change its name to Vanquis Banking Group plc in recognition of its new and future mix of lending products and its repositioning as a specialist banking group. In June 2022, the Board considered in depth the rationale for, and implications of, the re-naming at the annual Group Strategy Conference. In September 2022, the Board considered an implementation plan for the re-naming which outlined the statutory requirements, regulatory implications, stakeholder impact and proposed customer messaging. The Board approved the re-naming in principle and, considering the relevant expertise of its members, established a 'Re-naming Sub-Committee' of the Board to oversee the implementation. The Board recommend that the management team seek third-party guidance and advice where required. In January 2023, the Board approved the announcement of the re-naming in the Company's fourth quarter trading update.

Long-term consequences

The Board considered the long-term consequences of the re-naming in the context of the Group's wider strategy, vision, and Mission and how the Group has evolved how, and to which, customers it provides credit to. The Group's strategic Purpose is to be the first-choice bank for people who can't access traditional lenders and the renaming of the Group puts its Purpose as a bank at the forefront of its branding. The Board scrutinised the potential risks of the re-naming which included the risks inherent in any significant change, IT infrastructure implications and possible reputational consequences. The Board agreed that the risks could be mitigated through strong project management and noted that the re-naming would have no structural implications for the Group's businesses. The Board further noted that the re-naming and improved clarity around the Group's Purpose as a banking group facilitated the potential expansion of the brand and thus improved the prospects for growth.

Stakeholder implications

The Board considered the implications for all stakeholder groups and had due regard to its s.172 duties throughout the decision making process. The Board considered the market and investor perception of the re-naming, noting that, notwithstanding the challenges detailed below, the re-naming aligned more closely with the Group's Purpose and strategy. Customer impact was considered, and qualitative research provided, which indicated that customers would welcome the re-naming and highlighted the positive perception of the Vanquis name. The Board discussed colleague attachment to the Provident name, as well as those of the Group's subsidiary businesses, and acknowledged the need to balance a respect for the Group's history with a forward-looking, growth mindset. The Group engaged with the regulators at an early stage in the re-branding process to ensure that the regulators had no objections to the re-naming and to understand the regulatory requirements for the change.

Challenges

The Board recognised that, whilst the re-naming aligned more closely with the Group's Purpose and the refreshed strategic pillars and drivers, there was colleague and customer attachment to the Provident brand and a need to value and respect the Company's long history. The Board noted the multitude of actions required following the re-brand including colleague email address changes, website updates and supplier contract amendments, and recognised that a transition period of up to three months would be required to fully embed the re-brand. The cost of the project was considered in the context of the long-term benefits.

The Company changed its name to Vanquis Banking Group plc on 2 March 2023.

Links to stakeholders **Links to strategy** 2 3 **Links to risks** P5 **Links to s.172**

Links to stakeholders

- Customers
- Investors
- Colleagues
- Regulators
- Debt providers
- Communities
- Government
- Suppliers
- Pensioners

Links to strategy

1. People and Culture
2. Growth and Sustainability
3. Customer and Community

Links to risks

P Find our key risks on page 59

Links to s.172

- The likely consequences of any decision in the long term
- The interests of employees
- Business relationships with suppliers, customers and others
- The impact on the community and the environment
- Maintaining a reputation for high standards of business conduct
- Acting fairly as between members

Promoting long-term sustainable success:

Board focus areas during 2022

Board meetings follow a carefully considered agenda that is agreed by the Chairman, in conjunction with the CEO and General Counsel and Company Secretary.

Agendas includes items scheduled in advance into our annual agenda planners, but also items in response to immediate issues arising or matters raised in previous meetings or outside of meetings. Typically, our Board meetings include reports on operational and financial performance, governance matters and chosen deep dives into areas of strategic importance. The following pages provide examples of key Board activities during the year to provide an insight into the Board's deliberations and priorities and how the directors promoted the success of the Company.

Strategy 1 2 3	Links to s.172	Links to stakeholders
Reviewed the outcome of a review of our cards business and cards platform strategy Oversight of the cards business and platform strategy, including the key opportunities for our cards business, and the actions required to implement the strategy and deliver value for customers. The Board monitored progress against the cards strategy and the actions implemented to deliver it.		
Reviewed the Group's loans business and loans platform strategy Oversight of the loans business strategy, including the market opportunity, affordability processes, technology plans and the outcome of the loans product pilots undertaken. The Board approved the technology plan to move the open market loans product onto the Group's new IT architecture and approved the financial plan for the loans business.		
Reviewed our vehicle finance business review and strategy Oversight of the vehicle finance business, including an update on the Vehicle Finance customer base, how the business' good reputation has supported its success, the competitive landscape and growth opportunities.		
Re-naming of the Company and Group See page 75. regarding the decision to change the name of the Company and Group.		
Reviewed the Group's external and internal communications strategy Oversight of the Group's external and internal communications strategy and how this was aligned to the Group's Purpose and societal role. The Board considered who the Group's stakeholders were and how the Group was perceived by them. The Board also considered how it measured the delivery of the its Purpose.		
Reviewed proposal for launch of new secured product offering Oversight of a proposal, which was approved by the Vanquis Bank Limited Board in November 2022, for the launch of a new secured product offering of second charge mortgages. This included oversight of the risks and opportunities and the regulatory and customer considerations.		

Budget, financing and performance 2 3	Links to s.172	Links to stakeholders
Reviewed operational and financial performance at each meeting Oversight of the financial and operational performance of the Group against the agreed budget and plan.		
Reviewed the Group's ICAAP document Approval of the Group's 2021 ICAAP document and oversight of the approach to preparation of the 2022 ICAAP. The Board also reviewed and approved updates made to the ICAAP document during the year.		
Reviewed budget Approval of the Group's budget, ensuring adequate resources were in place for the Company to meet its objectives. In approving the budget, the Board considered a range of issues, including: the macroeconomic and strategic context; the basis of preparation and forecasted performance; the technology and change investment activity; investor expectations; and the risks and opportunities.		
Reviewed intra-group funding See page 85 regarding the decision to make changes to the Group's intra-group lending approach following the Group's Core UK Group waiver application.		

See key on page 75 for links to strategy, risks, s.172 and stakeholders

Principal decision: Dividend pay-out ratio

As enabled by the Group's strong capital position, on 31 March 2022 the Board announced an interim dividend in relation to the 2021 financial year and its anticipation that the Group would move towards a pay-out ratio of circa 40% of adjusted earnings from the 2022 full year onwards.

Decision making process
Reflecting the Board's confidence in the Group's ability to deliver attractive and sustainable growth and returns for shareholders, the Board considered a proposal that the Company communicate to the market its expectation that it would move to a dividend pay-out ratio of circa 40% of adjusted earnings from full-year 2022 onwards. In making its decision, the Board considered the strategic and macroeconomic context, including the wind-down of CCD and the expectations of the macroeconomic environment on impairment.

Long-term consequences
The Board reviewed the affordability of the dividend pay-out ratio proposed, including the Group's profitability, liquidity and capital position. It was agreed that the Group had sufficient resources and that the Group's capital plan was supportive of the progressive dividend pay-out approach. The future direction of the Group was also considered. The risks of the proposed approach had been assessed, in addition to the Company's going concern and viability assessments which were reviewed by the Board at the same meeting.

Stakeholder implications
The opinions of the Group's brokers, investors and the market were considered, in addition to market practice for dividend payments of other mid-range banking groups. In setting a future dividend strategy, the Board was required to consider the differing expectations amongst its shareholders regarding dividend payments and agree the appropriate approach for its shareholders as a whole.

Reputation
The Board considered the reputational impact of returning to dividend payments, noting that it demonstrated, including to regulators, the Board's confidence in the performance and future prospects of the Group.

Links to stakeholders **Links to s.172** **Links to risks** P1 P2

IT, cyber and resilience 2 3

	Links to s.172	Links to stakeholders
Reviewed the Group's IT transformation strategy, risks and cyber security strategy – Oversight of the Group's IT transformation strategy and operating model, and how this supported the delivery of the Group's overall strategy. The Board sought to ensure appropriate prioritisation, planning, resourcing and risk management in relation to the delivery of the Group's IT change programme. – Oversight of the Group's IT opportunities, successes, challenges and risks. The Board was able to provide challenge to ensure that appropriate mitigating actions were in place to address areas of IT and information security risk. – Oversight of the cyber security risk posed to the Group and financial services sector and of the Group's strategy and activities to respond to cyber security risk and strengthen the Group's security. The Board considered the regulatory environment and expectations in relation to cyber security, the Group's cyber security operating model and its cyber insurance arrangements.		
Reviewed the Group's operational resilience arrangements and plans To meet requirements set out in the 2021 FCA and PRA Operational Resilience Regulations, the Board reviewed and approved an operational resilience self-assessment and the resulting action plan to ensure compliance by the requisite deadline set out in the regulations. The Board monitored progress of the action plan. The Board also oversaw the Group's business continuity management arrangements and enhancements to these during the year.		

Governance and risk 1 2 3

	Links to s.172	Links to stakeholders
Received regular risk updates from the Group Chief Risk Officer Oversight of the of the Group's principal risks and the position against risk appetite, key risk priorities and regulatory matters, including regulatory engagement activity. This allowed Board oversight of any changes made to our principal risks and risk appetite determined by the Risk Committee. See page 108 for more information on our Risk Committee's role and activities.		
Reviewed changes to the Group's corporate governance framework to reflect the substantial alignment of the Company and Vanquis Bank Limited Boards Approval of changes to the Group's Governance Manual, Delegated Authorities Manual and Board appointment process to reflect the changes to the Vanquis Bank Limited Board, as announced in January 2022, and to support the creation of a simpler, more efficient Group governance structure, whilst streamlining and enhancing our handling of corporate governance.		
Reviewed our ESG priorities and progress Oversight of the Group's environmental, social and governance priorities and the progress made, including the important role the Group plays in highlighting the impact of such issues, including low carbon initiatives, on its customer base. Consideration was given to the Group's approach to environmental targets and scope 3 greenhouse gas emissions reporting. The Board provided oversight of the Group's community investment strategy. Please see pages 36 to 49 for more information on our ESG strategy and activities.		

Promoting long-term sustainable success: Board focus areas during 2022 continued

People and culture 1 2 3	Links to s.172	Links to stakeholders
Reviewed and discussed the outcomes of the full and 'pulse' Colleague Surveys and action plan developed from results Board informed of the themes, issues and insights provided by Colleague Surveys regarding colleague engagement, wellbeing and views on key issues such as inclusion and diversity. The Board provided oversight of management's action planning approach to address opportunity areas highlighted by colleagues through the surveys. See page 39 for more information on our colleagues.		
Reviewed delivery of the executive directors, non-financial objectives Oversight of the delivery of the Group's non-financial scorecard, working with the Remuneration, Risk and CCE Committees. The Board reviewed and agreed performance against the non-financial objectives under its review. See pages 121, 130 and 131 in our Remuneration Report regarding performance against the non-financial scorecard during the year.		
Reviewed pensions funding strategy Oversight of the funding strategy for the Group's pension scheme.		
Reviewed the Group's property strategy Approval of changes to the Group's lease of its offices at 20 Fenchurch Street, reflecting its adoption of a hybrid working model and its property strategy.		
Reviewed the implementation of changes to deliver the Group's target operating model Oversight of changes made to deliver the Group's new target operating model, including the benefits of the changes and the impact of the changes on colleagues and colleagues were being engaged on the changes. The Board was also updated on how our management governance framework would change to reflect our new operating model.		
Reviewed whistleblowing activity and processes Oversight of whistleblowing activity and analysis of that data. The Board also received an update on the processes and controls in place across the Group in relation to whistleblowing and enhancements to these identified for implementation during the year.		

Customer and regulatory 1 2 3	Links to s.172	Links to stakeholders
Reviewed the Group's Senior Manager Function framework Board kept apprised of the framework in place to support compliance with the SMCR, including changes to enhance the framework support and training provided to senior managers, controlled function holders and material risk takers to support them to meet their regulatory responsibilities.		
Reviewed the overall quality of the vehicle finance portfolio As part of its oversight of the vehicle finance business and the Group's strategy, the Board held a 'deep dive' session on the quality and arrears performance of the vehicle finance portfolio against the Group's strategy to focus on the mid-cost and near-prime sectors.		
Reviewed the Group's Consumer Duty implementation plan Oversight of the development of the Group's Consumer Duty implementation plan and approval of the plan. The Risk Committee provided detailed oversight of the development of the Group's Consumer Duty implementation plan; see page 109 for more details.		

Looking forward to 2023, focus areas are expected to include:

- new growth opportunities across Cards, Loans and Vehicle Finance;
- maintaining our capital and liquidity strength;
- investment in our technological capabilities; and
- potential new lending products.

The Board:
our culture

A great deal has happened since our Blueprint was introduced and, with several significant structural challenges behind us, we had the opportunity to strengthen our brand position and continue towards our Mission to be the first-choice trusted lender for customers in our market. To support this, we have refreshed our Blueprint, so it is relevant today and fit for the future of our business. We have developed a clear and compelling strategic narrative to help us communicate and engage with colleagues across the business. A refreshed set of values and behaviours that will help strengthen our culture, and drive competitive advantage and commercial success has been developed. During 2022, management focused on communicating with colleagues about the refreshed Blueprint and key messages regarding our Purpose, Mission and culture, through a campaign on our Purpose.

Refreshing our business values to underpin the culture we want to create

As we continue to deliver our strategy which will ensure we can keep on helping to put people on a path to better everyday life, we know that our success cannot happen without our people. We wanted to create the conditions for colleagues and future talent to thrive, and at the heart of that lies our Purpose and values.

While we have a compelling Purpose that articulates our 'why', our values and behaviours were not yet guiding decision making across the Group, and it was agreed we needed values that created alignment, consistency and cohesion.

To get this right we set out to explore our culture with input from colleagues representing all parts of the business, at all levels. This insight informed the creation of a shared set of values that, once fully embedded, will form a fundamental part of our brand and:

- guide decision making;
- deliver consistency; and
- bring people and teams closer together.

We gathered insight by blending qualitative and quantitative approaches. We then defined key themes and created a set of value statements which were tested with colleagues who participated in the initial discovery phase. Once the values are confirmed we will set out to launch and embed these across the business. Over time they will form an integral part of everything we do both informally and formally. They will be part of our brand, our objectives and our performance management process and ultimately be central to our ways of working with each other and our customers.

1 Leading by example

As a Group we aim to foster a culture where everyone is treated with dignity and respect and feels empowered to be themselves. Our culture is evolving but our Purpose (page 20) remains the same. The Board is responsible for ensuring that the governance framework supports the embedding of the desired culture. This is underpinned by an appropriate flow of information, enabling the Board to oversee management and challenge performance, culture, and strategy. Our Board understands that a strong culture, supported by good governance, enables long-term growth and generates sustainable value for our stakeholders. Our Board and committees continue to align and monitor culture through regular reporting at the meetings. The Board sets the tone and expectations to ensure that the Group's decision making, and behaviours are guided by a set of values which enable the achievement of the right outcomes for our stakeholders. You can read about how the Board has had regard to the interests of our stakeholders and their s.172 responsibilities to deliver long-term growth on pages 50 and 51 and about the role and activities of our CCE Committee on pages 100 to 102.

The changes reported last year to the Group's operating model have sought to support greater collaboration and consistency across the Group, with the Group's corporate support teams (Finance, Legal, Enterprise Risk, Audit, Information Technology and Data Protection) now operating as centralised functions.

The Board recognises the importance of colleague feedback to embedding our culture and taking action when needed. This feedback is collated through various mechanisms such as the Colleague and Pulse Surveys, the Speak Up Dashboard, Colleague Forums, policies and whistleblowing tools, the output of which is reported through various Board committees.

Our inclusion and diversity ambition remains to build and sustain an inclusive culture and diverse workforce which will help us to respond to the needs of our diverse customer base and support our Purpose of putting our customers on a path to a better everyday life. During the year management carried out a review of the governance framework supporting the inclusion community and have aligned a new sponsor to each of our Affinity Groups. Our Nomination Committee oversees our performance in relation to diversity and inclusion, and further details can be found on pages 98 to 99.

2 Embedding our culture

In June, members of the Board visited our Bradford office and spent time with our customer-facing colleagues, which involved some customer call listening. In addition, there was a 'speed dating' session where colleagues were invited to spend a short time getting to know a Board member on a one to one basis. There was also an Engagement, Inclusion and Wellbeing session held, which Graham Lindsay and Margot James attended with members of the Group Executive Committee. This was a panel discussion with over 60 colleagues in attendance. This gave our Board the opportunity to introduce themselves and also for colleagues to hear their experiences and thoughts on engagement, inclusion and wellbeing and for colleagues to give their feedback to the Board.

Our Designated Non-Executive Colleague Champion, Graham Lindsay, has attended Colleague Forum sessions during the year at our Chatham and Petersfield sites. Andrea Blance, our SID and Chair of the Remuneration Committee, and Patrick Snowball, Chairman of the Board, have joined Graham at some of these events. At each event, time has been dedicated to ensuring there is a two-way conversation and sharing of views on different colleague matters such as flexible working, colleague wellbeing and the cost of living challenges.

Following the move to the shared services model, the Colleague Forums now meet as one group. In addition to attending quarterly forum meetings, members of the Board have also attended a number of Vanquis Banking Group offices, meeting with colleagues for informal drop-in sessions during the course of this year. The resumption of this activity has been well received, following the removal of travel restrictions post-Covid-19. We have continued to engage the Colleague Forums on developing the hybrid working culture, the implementation of the Group Reward Framework, harmonising our people policies and collective consultation relating to closure of the CCD business.

3 Assessing and monitoring our culture

The Group Designated Non-Executive Colleague Champion, Graham Lindsay, provides a valuable link between the Board and the Company's workforce through the Colleague Forum meetings, ensuring that the employee voice is relayed directly to the boardroom. Graham also chairs the CCE Committee. You can read more about Graham's stakeholder engagement in his Q&A on page 86.

The Board monitors the alignment of the Group's culture with our Purpose, values and strategy, through a variety of mechanisms, cultural indicators and reporting lines including those summarised below:

- feedback via the Colleague Forums;
- feedback on our 'Pulse' and annual surveys;
- monitoring the KPIs of the Blueprint Dashboard including turnover and absenteeism rates;
- the Speak Up Dashboard, including whistleblowing cases and colleague grievances;
- promptness of payments to suppliers; and
- gender pay gap disclosures.

The Board measures the Speak Up culture through its annual Colleague Survey. This year we conducted the 'Pulse' survey in March 2022 and a Group-wide Colleague Survey in November 2022. You can read more about our colleague engagement initiatives on pages 82 to 83 and find the results of our surveys on page 39. Actions are identified based on the lowest scored questions and tracked by the Board in order to improve engagement and make the Group a healthier place to work.

Over the past year the Speak Up scores have improved, notably in relation to the colleague voice and a culture where openness is encouraged. Our Colleague Survey results are reported to the Board, action plans are developed and focus sessions held. The most recent survey was undertaken in November 2022 and had a response rate of 79% (2021: 71%). The survey implied that 81% (2021: 84%) of colleagues agreed that "People help and support each other here" and 82% (2021: 81%) of colleagues agreed "I can be myself at work", both encouraging outcomes which point to the kind of supportive and inclusive culture we want to create.

The Board and its committees provide appropriate scrutiny and challenge of management and receive assurance over the Group's approaches to managing risk and business integrity matters. The Board confirms that, through the activities of the Risk Committee, a robust assessment of the principal and emerging risks facing the Group including those which have a potential impact on the strategy can be found within the Risk Committee Report on page 110.

Key outcomes of 2022 engagement survey

The following questions point to continued high levels of commitment and discretionary effort from colleagues as demonstrated by high positive response to questions such as:

1. Our Purpose
I understand our Purpose and what we are trying to achieve

84% (2021: 83%)

2. Your manager
My manager treats me fairly with respect

90% (2021: 89%)

3. Engagement
I care about the future of the Group and my division

83% (2021: 84%)

4. Working together
People help and support each other out here

81% (2021: 84%)

5. Be yourself
I can be myself at work

82% (2021: 81%)

4 Aligning culture and incentives

We invest in our colleagues through recognition, reward, development, wellbeing, the working environment and culture. Colleagues are recognised through our new 'Better Everyday' recognition platform and our 'Perks at Work' scheme, which offers colleagues in-store and online rewards and discounts, online training courses and mental wellbeing courses.

The Remuneration Committee reviews workforce remuneration policies and practices and assesses their alignment with the culture and strategy of the Company. Gender pay gap disclosures are also considered annually to ensure practices are consistent with the Company's values. Further work of the Remuneration Committee can be found on pages 119 to 151. Andrea Blance and Graham Lindsay engaged with colleagues on the alignment of executive director and wider colleague reward structures. Ensuring that we continue to support our culture with regard to overall compensation is an important part of our non-financial scorecard which impacts all Colleagues' compensation. In 2023, the culture metric is linked to our People and Culture pillar (which contains our targets on colleague engagement, diversity and inclusion and culture). For the large majority of our colleagues this pillar will drive about 13% of their bonus opportunity.

We are linking risk culture to our performance, with the enhancement of the Risk Management Framework through the introduction of a mandatory, individual risk management objective for all colleagues across the Group. This will further demonstrate the importance of risk management and support the embedding of a risk-centric culture.

Colleague wellbeing

We recognise that colleague wellbeing is central to the creation and embedding of our desired culture.

All colleagues are given access to dedicated professional mental wellbeing support and have access to an Employee Assistance Programme (EAP) provided by Health Assured; the service is designed to help colleagues deal with personal and professional problems that might be affecting their home or work life, health or general wellbeing.

We also support colleague wellbeing in a number of other ways, such as through mental health training and Mental Health First Aiders, as well as the 'Thrive' application which enables colleagues to confidentially access materials that manage stress, anxiety and related conditions. For more information please see our ESG Report on page 39.

People metrics and KPIs

Colleague forum meetings in 2022

4 (2021: 4)

79% of colleagues took part in the November 2022 survey (2021: 71%)

Colleague engagement scores which are aligned to the Group's Purpose and culture

68% (2021: 69%)

Number of colleague volunteering hours

1,014 (2021: 425)

Suppliers paid in 30 and 60 days

94% and 4%

(2021: 96% and 4%)

Better Everyday Index, bringing our Blueprint to life, changing the culture of our business and taking people on the journey

60% (2021: 61%)

Stakeholder engagement and decision making

The Group is driven by its Purpose of helping to put people on a path to a better everyday life. Acting in the interests of our key stakeholders is critical to delivering this Purpose and achieving our Mission of being the first-choice bank for people who are excluded from accessing financial services from traditional lenders.

We have invested significant time during the year to understand and proactively engage with our stakeholders, in line with our stakeholder engagement strategy (see pages 85 and 102), as we recognise that satisfying our key stakeholders is critical to the Group's long-term sustainable success. The Board's commitment to its s.172 duty can be found on page 50 and evidence of this commitment is integrated throughout the Strategic Report and Governance Report. You can read more about our Purpose, Mission and strategy in the Strategic Report.

Customers

Our customers are the reason why we exist and we continue to evolve our product offering to meet the financial needs of UK adults who are not well served by mainstream lenders. Please see pages 26 to 35 for more information.

What are their interests and our areas of focus?

- Access to affordable financial products that meet their needs as well as high-quality service.

Board and Company engagement

- Risk Committee and CCE Committee oversight over management's plans to ensure good customer outcomes in accordance with the FCA's Consumer Duty regulations.
- CCE Committee monitored customer KPIs (see pages 25 and 101) and listened to customer calls to review the quality and outcome of customer calls.
- Non-executive directors listened to customer calls during a site visit to Bradford (see page 101).
- Board oversight via management reports on the impact of the cost of living crisis on our customers.
- Customer Panels and Net Promoter Score used to gain insights and conduct research in areas such as the cost of living crisis, digital banking and new forbearance options.
- Customer Satisfaction Surveys used to receive feedback from customers.

Outcomes and impact on decision making

- Through engaging with customers on the cost of living challenges, we partnered with IncomeMax to launch a new Messenger online platform to offer customers digital access to one-to-one expert advice to help manage their income.
- Sub-committee of the Board approved an implementation plan to demonstrate compliance with the FCA's Consumer Duty regulations and deliver good consumer outcomes (see page 78).
- Forbearance options enhanced to support customers through the cost of living crisis (see page 61).
- A minimum threshold for outstanding loan balances was introduced arising from the CCE Committee's feedback on a customer call.

Links to strategy 2 3 **Links to s.172**

Colleagues

Our colleagues are the backbone of our Group and are critical to serving our customers and delivering our customer-centric Purpose. Please see pages 22 and 39 for more information.

What are their interests and our areas of focus?

- Culture, pay and benefits, and career development.

Board and Company engagement

- Board attendance at Colleague Forums including the Designated Non-Executive Colleague Champion and Chairman (see page 80).
- Designated Non-Executive Colleague Champion who attended regular Colleague Forums and reported back to the Board at each meeting.
- 'Speed dating' and panel sessions held between the Board and colleagues at the Bradford office on topics such as wellness, engagement and inclusion.
- Non-executive directors visited the vehicle finance office and head office where they spent time with our customer-facing colleagues and listened to customer calls.
- CEO VLOGS and e-communications issued regularly to colleagues on important Group news and updates.
- Colleague Forums met regularly to discuss key topics and fed back to senior management and the Board (see page 40).
- Informal drop-in session between colleagues in the head office and the Executive Committee.
- 'Be Open' Colleague Surveys issued halfway through the year and at year end to gather valuable insights (see page 81).
- Affinity Groups were utilised to garner colleagues' input (see pages 37 and 38).

Outcomes and impact on decision making

- In response to feedback at Colleague Forums, we changed our approach to hybrid working to provide more flexibility to colleagues.
- Collective consultation on the Group's restructure via the Colleague Forums informed the governance and target operating model changes that took place during 2022.
- Colleague Survey results fed back to the Board, action plans developed and focus sessions held (see page 100).
- Actions arising from Colleague Forums were formally tracked and monitored by the People function to ensure that feedback was actioned.

Links to strategy 1 2 **Links to s.172**

See key on page 51 for links to strategy, s.172 and risks

Listen ▶ Learn ▶ Respond

Investing and rewarding our workforce

During the year, the 'Blueprint behaviours' performance management framework was used to assess colleagues' performance and determine bonus allocations in line with the Group's Values and behaviours. This performance framework provided an assessment of 'what' colleagues had done during the year and 'how' those objectives had been achieved in order to encourage and reward the right behaviours that maximise the likelihood of delivering good customer outcomes. You can read more about the ways in which we invest in and reward our workforce on page 115.

Environment

Continuing to meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and manage climate-related risk is an ESG priority for us. Please see page 40 for more information.

What are their interests and our areas of focus?

- Sustainable business, carbon reporting and contributing to tackling climate change.

Board and Company engagement

- Board oversight over management's sustainability strategy, science-based targets set and progress made on the Group's net-zero strategy (see pages 102 and 41).
- Board approved the TCFD content included in the Group's Annual Report and Accounts.
- Climate risk was regularly reported to the Board via the Chief Risk Officer Report.
- Risk Committee oversight over climate risk and approval of climate risk metrics.
- Board oversight via management reports on the Group's accounting and reporting of its scope 1, 2 and 3 greenhouse gas emissions.
- Colleagues were kept informed and involved on climate-related matters through the intranet, e-learning and working groups.

Outcomes and impact on decision making

- TCFD disclosure published in the Group's Annual Report and Accounts as well as in investor materials and regulatory documentation.
- Board approved a partnership that would allow non-prime customers to access the electric vehicles market.
- Progress made against environmental targets was included within the non-financial scorecard used by the Remuneration Committee to assist in determining the annual bonus pool for executive remuneration (see pages 78 and 130).
- Scope 1 and 2, and 8 out of 15 material scope 3 greenhouse gas emissions (including those associated with products and services procured and downstream leased assets) accounted for and reported in accordance with the UK Government's Streamlined Energy and Carbon Reporting policy (see page 38).
- Good progress made in setting carbon reduction targets in alignment with the SBTi.

Links to strategy 1 2 3 **Links to s.172**

Regulators and Government

We care about doing right by our stakeholders; therefore maintaining good relations with our regulators and operating within a conduct-focused culture are vital to us. Please see page 63 for more information.

What are their interests and our areas of focus?

- Conduct, compliance and fair treatment of stakeholders.

Board and Company engagement

- Regular calls/meetings between the Group Chief Finance Officer, CEO and our regulators on the Group's Mission and strategy.
- Key regulatory interactions, insights and areas of regulatory focus reported to the Board via the Chief Risk Officer Report.
- Dedicated team within the Risk function has provided coordinated and consistent engagement with our regulators on areas such as the 2022 ICAAP, the cost of living crisis, the large exposure waiver application, the credit risk process and our IT infrastructure/strategy.
- Risk Committee scrutinised and recommended to the Board the 2022 ICAAP (see page 108).
- Membership of the UK Finance and Leasing Association.
- Sponsored the National Numeracy Day which involved engagement with the Bank of England and HM Treasury.

Outcomes and impact on decision making

- Received approval from the PRA for the Group's large exposure waiver application (see page 85).
- Board approved management's operational resilience self-assessment and remediation plan to minimise operational disruptions in accordance with regulations and guidance issued by our regulators.
- Board approved the 2022 ICAAP following recommendation from the Risk Committee (see page 76).

Links to strategy 1 2 **Links to s.172**

Suppliers

Our trusted suppliers help us to deliver high-quality, cost efficient and time saving services to our stakeholders. Please see page 20 for more information.

What are their interests and our areas of focus?

- Sustainable business, low carbon emissions, and commitment to tackling climate change.

Board and Company engagement

- Board approved the 2022 Modern Slavery Statement.
- Board reviewed and approved the Group's corporate policy on Human Rights and Modern Slavery.
- CCE Committee reviewed suppliers' feedback on a questionnaire issued by the Group to over 360 supply account managers (see page 102).
- Consistent engagement through the Group-wide Supplier Relationship Management Framework.
- Robust due diligence of suppliers in line with PRA guidance to protect our customers and support operational resilience (see page 53).

Outcomes and impact on decision making

- Our standard payment terms were 30 days which is in keeping with the Prompt Payment Code.
- Published our 2022 Modern Slavery Statement.
- Increased director-level engagement with our most critical suppliers.

Links to strategy 2 **Links to s.172**

Investors

Our investors are the providers of capital that enables us to grow, deliver our Purpose and invest for future success. Please see page 87 for more information.

What are their interests and our areas of focus?

- Return on investment, long-term growth and good ESG performance.

Board and Company engagement

- Trading updates were provided via the London Stock Exchange on the Group's performance and strategy.
- Feedback from our brokers was distributed to the Board and senior management after updates were made to the market.
- Our CEO and Group Chief Finance Officer held regular meetings with investors which was reported to the Board via the CEO report.
- The AGM enabled all investors to directly question the Board and to cast their votes for proposed resolutions.
- Management attended broker conferences and presented to investors on topics such as our ESG strategy.

Outcomes and impact on decision making

- Investors' views informed the Board's decision making regarding the dividend pay-out ratio (see page 77 for more information).
- The Group's financial results for the 2022 financial year were in line with market expectations.
- We received votes representing approximately 80% of our issued share capital at our 2022 AGM.

Links to strategy 2 **Links to s.172**

Communities

We're committed to making a positive difference to the communities we serve in order to improve the lives of our customer base. Please see pages 16 and 37 for more information.

What are their interests and our areas of focus?

- Removing key barriers to financial inclusion, raising financial awareness and improving education in the communities of our customer base.

Board and Company engagement

- Board received updates on investments made in community initiatives that aligned with the Group's Purpose (see page 101).
- Board received bi-annual updates on progress made against our ESG strategy which included oversight over community engagement (see page 77).
- Direct engagement with longstanding community partner, National Numeracy, on the numeracy skills agenda through the CEO's membership of its Leadership Council (see page 20).
- Our Grants Panels gave colleagues a say in what charities we donated to.
- Management continued to engage with the Group's community partners during the year, including Bradford-based partners to support the city's bid to be UK City of Culture in 2025.

Outcomes and impact on decision making

- Board approved the launch of a Foundation, to be launched in 2023, which will see the Group invest in its communities with a view of improving the lives of young people (see page 101).
- £1.4m invested to support community programmes, money advice programmes and social research.
- We became the first official delivery partner for Bradford being awarded the UK City of Culture 2025. This is a four-year partnership which will have a long-lasting positive impact.

Links to strategy 1 3 **Links to s.172**

Principal decision: A funding structure to deliver our specialist banking group strategy

The Board approved intra-group funding arrangements to support the Group's application to the PRA for a large exposure waiver (the CUG application). The CUG application, which was approved by the PRA in November, will allow the Group to leverage its existing access to retail deposit funding, through Vanquis Bank, to fund all lending products going forwards, including vehicle finance. To read more about the CUG application and our funding strategy please see page 14.

Purpose, strategy and long-term success
The CUG application was an important part of our stated strategy of becoming a fully fledged banking group. The intra-group funding arrangements and CUG application provides the funding structure needed to help put people on a path to a better everyday life, delivered through our specialist banking group strategy.

Positive regulator engagement
Management engaged with the regulator throughout the process of the CUG application by responding to requests for information and acting upon feedback from the regulator. For example, the Group put in place a capital support agreement between Moneybarn and Vanquis Bank in response to the regulator's feedback.

Governance and decision making process
The Board received regular updates via the CEO report on the status of the CUG application before it was approved. As part of the Board's oversight, it approved a series of intra-group funding arrangements in May, subject to the PRA's approval, and established a sub-committee of the Board to finalise the terms of the arrangements once the CUG application had been approved. In making this decision, the Board received assurance from internal and external legal counsel, as well as relevant stakeholders within the Group (such as Finance, Tax, Treasury and Risk) on the implications of the decision.

Links to stakeholders | Links to strategy 2 | Links to risks P4 P5 P11 P12 | Links to s.172

Listen
Colleague Forums discussed and shared their feedback on the alignment of job levelling across the Group as part of a new Group Reward Framework.

Learn
Colleagues requested further clarity on the Group Reward Framework and increased transparency on pay and benefits.

Respond
Remuneration Committee Chair presented to the Colleague Forum on the alignment of workforce pay with executive director pay. The benefits framework by level was published on the colleague intranet.

Listen
Executive Committee held a drop-in session with Bradford colleagues.

Learn
Executive Committee learnt that colleagues had issues with parking and using the onsite gym.

Respond
Action was taken to refresh the car parking booking process and reopen the gym for colleagues to use.

Listen
CCE Committee reviewed the 2021 stakeholder engagement strategy.

Learn
CCE Committee reviewed progress made against the 2022 stakeholder engagement objectives.

Respond
2023 stakeholder engagement objectives were agreed by CCE Committee and management.

Q&A

with Graham Lindsay, Designated Non-Executive Colleague Champion

> Having a Designated Non-Executive Colleague Champion directly engaging with colleagues promotes a culture of openness, inclusivity and transparency; that's the feedback we have received from colleagues.
>
> **Graham Lindsay**
> Designated Non-Executive Colleague Champion

What is your role as Designated Non-Executive Colleague Champion?

I am really pleased to be the Designated Non-Executive Colleague Champion responsible for engaging with our colleagues to understand their interests and ensure they are considered in the Board's discussions and decision making. My role involves engaging with colleagues through attending Colleague Forum events and panel sessions, chatting to colleagues on visits to offices and various other engagement events; I then report key headlines from these engagement activities back to the Board.

What makes you suitable for the role?

I was deemed suitable by the Board for this role because of my significant stakeholder engagement experience gained from my own executive career leading large teams of people and my varied external appointments, as well as my interpersonal skills. As an independent non-executive director, I provide an open channel of communication and conduit between the Board and colleagues. Furthermore, I am Chairman of the CCE Committee which has responsibility for overseeing colleague engagement and ensuring that colleagues' interests are reflected at all stages in the Board's decision making process. You can read more about the CCE Committee's work on page 100.

How does your role add value to the Board and its relations with colleagues?

I strive to ensure that the colleague voice is heard in the boardroom and that colleagues' trust is maintained in the Group's leadership team. Having a Designated Non-Executive Colleague Champion directly engaging with colleagues promotes a culture of openness, inclusivity and transparency; that's the feedback we have received from colleagues which is pleasing to hear.

What does the Board expect from you and how does the Board monitor the effectiveness of the role?

The Board relies on me to update them on the activities and outcomes of colleague engagement, as part of my roles as Designated Non-Executive Colleague Champion and Chair of the CCE Committee. This enables the Board to review my effectiveness in these roles and my interactions with colleagues. It is also part of my role to update colleagues on the latest Board developments and decisions, in so far as they relate to issues that impact on our colleagues' interests. This is facilitated through our People team. I liaise with the Chief People Officer and People senior management to coordinate engagement activities and strive to ensure that I reach a broad representation of colleagues.

How do you report colleagues' interests and feedback to the Board?

I have a regular agenda item on Board agendas to update the Board on the CCE Committee's oversight over colleague engagement and my regular engagements with the wider workforce. I ensure that our Chief People Officer has a regular standing agenda item to update the CCE Committee on key issues that have an impact on colleagues. In addition, the CCE Committee receives updates on all 'Pulse' survey results and devotes time discussing and reviewing the full Colleague Survey results as they become available.

What actions has the Board taken this year in response to colleague feedback?

I invited the Chair of the Remuneration Committee to attend a Colleague Forum event to explain how we structure and set the objectives for the executive team and how that flows through all levels of the Group. This was in response to feedback from colleagues on a desire for increased transparency around pay and benefits and how it links to all levels of the Company. This will take place every year to engage with colleagues on the alignment of executive remuneration with wider colleague remuneration.

To ensure consistent messaging and discussions across the Colleague Forums, following the Group's reorganisation the previous divisional forums were combined into a single Group-wide forum with representation from each product line.

What have been your highlights this year in your role as Designated Non-Executive Colleague Champion?

I really enjoyed meeting colleagues with other Board colleagues in our Bradford office where we had a 'speed dating' session which was a great way to interact with colleagues from different functions and answer questions in a very informal setting. You can read more about this on page 80. I also really enjoyed being part of a panel session where the Board and other senior management answered questions from colleagues on a wide range of topics, including wellbeing, inclusivity and engagement.

What are your key priorities for next year in your role as Designated Non-Executive Colleague Champion?

Contact with our colleagues is an ongoing crucial requirement of ensuring a committed, engaged and supportive workforce and I plan to continue my regular site visits, encouraging other Board colleagues to join me and ensure our colleague views, concerns and ideas remain a feature of our Board discussions.

How we
engage with shareholders

The Group recognises the vital role of shareholders in ensuring the highest standards of governance through constructive engagement with the Board. A key element of our Chairman's role is to ensure effective engagement with investors, and that the Board has a clear understanding of investors' views. The Chairman is supported by our dedicated Investor Relations (IR) team and senior management, which maintain regular dialogue with investors and sell-side analysts.

1 The Annual Report

The Annual Report provides a comprehensive overview of the Company's Purpose, strategy and progress against objectives. It facilitates an assessment, by investors, of how the Board is taking action to promote the success of the Company and aids evaluation of the Company's governance processes. The Annual Report is complemented by regular market updates, including quarterly trading updates. Feedback from our joint brokers, Barclays and Numis, is distributed to the Board and senior management after all market updates.

2 Annual General Meeting (AGM)

The AGM provides the opportunity for all investors to directly question the Board and to cast their votes for proposed resolutions, including the reappointment of Board members.

3 The Group website

The Group website provides comprehensive information about the Company, its divisions, management team and Board members. Our dedicated 'Shareholder Hub' provides up to date information on our strategy, the latest results presentations, RNS announcements and our investment case.

4 Investor/analyst meetings

The Group takes a proactive approach by inviting investors and analysts to meet with senior management on a regular basis. During the course of 2022, management held over 100 meetings with sell-side analysts and shareholders.

5 Overseas roadshow programmes

During 2022, senior management resumed its schedule of meeting face to face with shareholders, including roadshows in London, New York and Edinburgh. The Board received regular updates on investor feedback and the themes therein from the CEO.

6 Broker conferences

Senior management regularly attends industry conferences. In 2022, senior management was invited to attend conferences organised by Shore Capital and Goodbody.

7 The Sustainability Report

The Sustainability Report provides investors with a clear account of the Group's responsible business strategy, and how this aligns with the Group's Purpose of providing responsible lending to underserved markets.

8 Shareholder correspondence

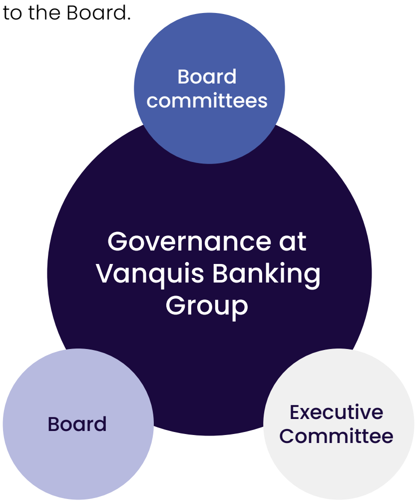
Our IR team is committed to engaging and responding to all investor queries on a timely basis.

Engagement in action
The Group is committed to facilitating an open dialogue with investors across a wide range of issues and ensuring that shareholders can raise strategic and governance-related matters with an appropriate member of the Board. During 2022, the Chairman met with several large shareholders, including Davidson Kempner, Coltrane and Aberforth Partners, to ensure that feedback from investors is received effectively and discussed at Board level. Management met with shareholders representing over 75% of the issued share capital during 2022. At the Group Strategy Conference in 2022 (page 74), the Group Executive and the Board considered investor perceptions of the Group, with consideration given to the Group's financial position and capital base.

Leadership and **oversight structure**

Our governance framework facilitates effective decision making and is formally documented in the Group's Delegated Authorities Manual, Board Governance Manual, Board and committee terms of reference, and matters reserved for the Board. This framework is reviewed annually by Company Secretariat and the respective Board/committees to ensure it remains effective and fit for purpose. The governance framework and structure of the Group's governance arrangements have been established to comply with the spirit and provisions of the Code.

The operating, planning and reporting processes for the Board were refreshed following the substantial alignment of the memberships of the Vanquis Bank and Company boards. Combined meetings, agenda planners and reporting processes were devised by the Chairman and Company Secretariat to ensure that appropriate, timely and accurate information continued to flow to the Board.



Board committees

The Board is supported by its committees in discharging its duties. At each Board meeting, the Chairs of the committees update the Board on their activities.

Audit Committee

Monitors the integrity of the financial statements, oversees the internal controls, and monitors the independence and effectiveness of internal audit and the external auditor.

Read more on pages 103 to 107

Remuneration Committee

Determines the Remuneration Policy, ensuring that pay and benefits align with the Group's Purpose and strategy.

Read more on pages 119 to 122

Nomination Committee

Determines the Board's composition/structure, oversees diversity and ensures that effective succession plans are in place for the Board and senior management.

Read more on pages 95 to 99

Customer, Culture and Ethics Committee

Oversees stakeholder engagement and embedding of culture, and monitors the Group's environmental and corporate responsibility.

Read more on pages 100 to 102

Disclosure Committee

Ensures compliance with the Market Abuse Regulation and Disclosure Guidance and Transparency Rules.

Risk Committee

Reviews and monitors the Group's principal and emerging risks and the effectiveness of the Group's risk management systems.

Read more on pages 108 to 111

Board

Responsible for overseeing the Group's strategic direction for sustainable growth and delivering value to stakeholders. It is accountable for the Group's activities and is committed to delivering the highest standard of corporate governance. The Board discharges some of its responsibilities directly and others through delegation to its committees. The Board and committees' terms of reference, and matters reserved for the Board, are published on www.vanquisbankinggroup.com. Execution of the strategy and day-to-day management of the Group is delegated to the Executive Committee and various management committees with the Board overseeing, guiding and holding management to account.

Executive Committee

Responsible for executing strategy, monitoring performance, promoting the Group's culture and embedding the Blueprint to drive the desired behaviours within the Group (see page 22 for information on our Blueprint). The CEO chairs the Committee; other members include the Group Chief Finance Officer, Chief People Officer, Chief Operations Officer, Chief Risk Officer, General Counsel and Company Secretary, and the managing directors of each product line. During 2022 the Committee streamlined its governance structure (see the timeline below), reviewed the talent pipeline, and approved various change and transformation spend within its delegated authority.

Revised operating model: establishing a structure designed to deliver our strategy

Following the substantive alignment of the Group and Vanquis Bank Limited boards in January 2022, the Executive Committee created a unified leadership structure and revised the management governance structure to facilitate the execution of our strategy. The Group made significant progress during the year to embed its revised operating model as outlined in the below timetable.

- February: Management governance structure and committees were streamlined with defined terms of reference
- April: Proactive engagement with the PRA took place during the year to support the Group's waiver application
- May: Intra-group funding arrangements were approved by the Board to support the Group's large exposure waiver application (see page 85)
- June: The corporate governance framework was refreshed and approved by the Board to support effective decision making (see page 77)
- August: Shared services functions were created to deliver efficient services across all our product lines
- September: The Executive Committee created a unified senior leadership team and reviewed the talent pipeline to identify any gaps and development opportunities
- September: The Nomination Committee oversaw the progress made by management in implementing the new target operating model
- November: The Group's application to the PRA for a large exposure waiver was approved which was an important part of our strategy (see page 22)

Division of responsibilities

There is clear division between executive and non-executive responsibilities to ensure accountability and oversight. We define the separate roles and responsibilities of our Chairman, CEO and SID in writing and they are available on our website www.vanquisbankinggroup.com.

Chairman, Patrick Snowball

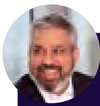
- Leads the Board to deliver strategic objectives and increase shareholder value.
- Promotes effective decision making, critical discussion and constructive challenge.
- Safeguards corporate governance.
- Engages with stakeholders to inform Board decision.

CEO, Malcolm Le May

- Recommends the Group's strategy and long-term objectives.
- Leads and manages executive management.
- Manages the day-to-day management of the Group.
- Promotes a healthy culture of accountability and transparency.
- Ensures that risk management and internal controls are in place.

Senior Independent Director, Andrea Blance

- Acts as sounding board for the Chairman.
- Intermediary for other NEDs to express their views.
- Leads the performance review of the Chairman.
- Available to shareholders outside the normal communication channels.



Chief Finance Officer, Neeraj Kapur

- Leads the Group Finance function.
- Manages capital management and effective financial reporting, processes and controls.
- Liaises with investors alongside the CEO.
- Supports the CEO to develop and deliver the Group's strategy.

Non-Executive Directors

- Provide independent and constructive challenge.
- Scrutinise the performance of management.
- Develop strategy using their experience and expertise from other sectors.
- Chair the Remuneration, Nomination, Risk, Audit and CCE Committees.

Designated Non-Executive Colleague Champion, Graham Lindsay

- Seeks to understands the views of colleagues.
- Attends Colleague Forums and other colleague engagement events.
- Articulates the views of colleagues at Board meetings.
- Oversees stakeholder engagement as Chairman of the CCE Committee.

General Counsel and Company Secretary, Melanie Barnett

- Provides legal and governance support to the Board and executive management.
- Ensures that Board-level information is fit for purpose.
- Facilitates effective discussion between management and the Board.
- Communicates with shareholders on governance matters.

Executive leadership team

- Supports the CEO in developing and implementing strategy.
- Together with the CEO and CFO, form the Executive Committee.
- Oversees the day-to-day activities and performance of the Group.
- Manages the workforce and promotes a healthy culture.
- Implements policies and procedures set by the Board.

Independence of the non-executive directors (NEDs)

The Board and Nomination Committee review the independence of NEDs on appointment and thereafter annually. The NEDs bring value to the Board through their unique skills, knowledge and experience, which help to shape the Group's strategy and the Board's decision making. They also serve a vital role in preventing any individual from dominating decision making and discussions. The Chairman held a number of meetings privately with the NEDs without executive management present, to encourage independent oversight, open dialogue and constructive challenge. The Board considers, on recommendation from its Nomination Committee, that all its NEDs are independent (except for the Chairman who was independent on appointment), taking into account the factors in the Code and any other relevant circumstances which may impair independence, and the independent NEDs provide constructive challenge to executive management. Please see the Nomination Committee Report on page 95 for more details.

All directors are required to disclose to the Board any outside interests which may pose a conflict with their duty to act in the best interests of the Group. Further details on conflicts of interest can be found in the Directors' Report on page 112.

The independent NEDs also meet annually, led by the Senior Independent Director, to appraise the Chairman's performance and effectiveness. The Senior Independent Director discusses the results and agrees any actions with the Chairman prior to the results being fed back to the Board.

Neither the Chairman nor any of the independent NEDs have exceeded the maximum nine-year recommended term of service set out in the Code. The table below details the directors' tenure as at 31 March 2023.

Board changes and composition

The skills and experience of the directors are set out in their biographies on page 71 and also in our Board Skills Matrix on page 91. The Board's composition was independently reviewed as part of our external Board effectiveness evaluation (see page 93 for more details). Proactive succession planning was undertaken during the year in relation to non-executive director roles in order to stagger non-executive director succession in the future, thus retaining the balance of skills, experience and diversity required for an effective Board.

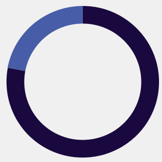
The Nomination Committee and Board considered potential external candidates with the skills, experience and diversity that were considered to be key for the Board to deliver their long-term strategy and vision, such as those with experience in consumer cards, credit cards and the digital banking sector. You can read more about the recruitment process and our succession planning activity on pages 96 and 98.

The Board comprises the Non-Executive Chairman, Senior Independent Director, six independent NEDs and two executive directors. The Board appointed Michele Greene as an additional independent non-executive director on 9 March 2023 as part of the Board's succession planning. The Board also welcomed Melanie Barnett as General Counsel and Company Secretary during 2022. The Board's individual biographies are detailed on page 71.

The Nomination Committee oversees the Board's composition, succession and diversity. Please see the Nomination Committee Report on page 95 for more details.

During the year the Board reviewed the external appointments of each director and confirmed, following recommendation from its Nomination Committee, that the directors continued to have sufficient time to undertake their roles. The Board also approved the external board appointment of Andrea Blance to Aviva plc, agreeing that there was no conflict of interest and Andrea would continue to have sufficient time to carry out her role on the Board.

Independence of the Board (excluding the Chairman)

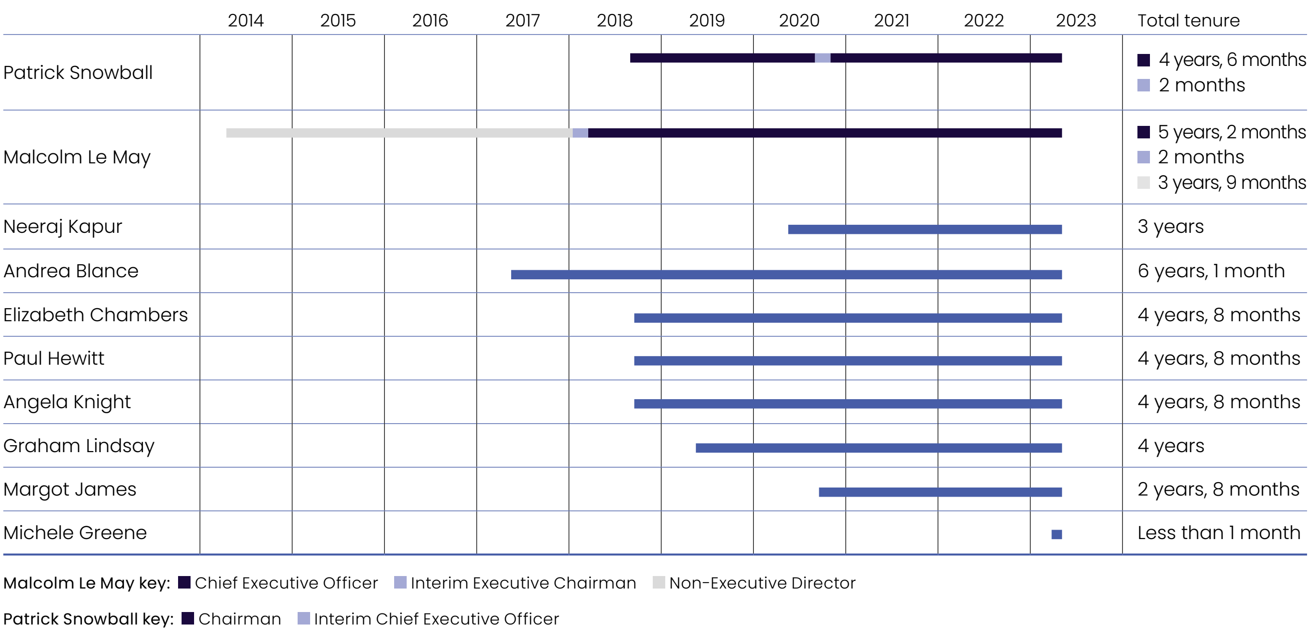


78%

of our Board (excluding the Chairman) are independent non-executive directors

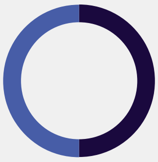
Independent	7
Executive	2

Board tenure as at 31 March 2023



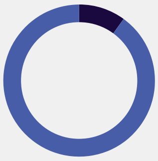
Board composition

Board gender diversity



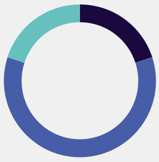
- Male 5
- Female 5

Board ethnic diversity



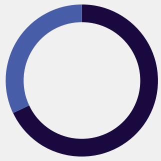
- Ethnically diverse 1
- White 9

Board tenure



- 0-2 years 2
- 2-5 years 6
- 5-9 years 2

Executive Committee and direct reports



- Male 68%
- Female 32%

Member attendance at Board and committee meetings in 2022

The table below sets out the Board and committee attendance during the year. Attendance is shown as the number of meetings attended out of the total number of meetings possible for each individual director. During 2022, attendance was very strong both at scheduled and additional meetings. The Board continues to be satisfied that each director is able to allocate sufficient time to the Company. This is reflected in the very high levels of meeting attendance. The absence shown below was a result of either an urgent personal matter or a pre-arranged commitment. The Chair of each committee reports regularly to the Board on how that committee has discharged its responsibilities.

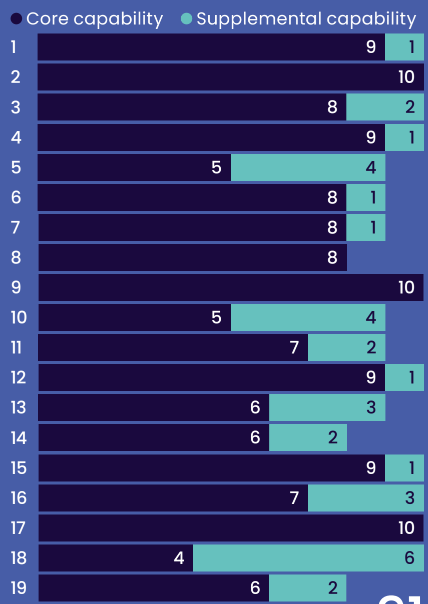
Board member	Board	Ad hoc	Audit Committee	Ad hoc	Nomination Committee	Ad hoc	Remuneration Committee	Ad hoc	Risk Committee	Ad hoc	Customer, Culture and Ethics Committee	Ad hoc
Total number of meetings	9	2	6	1	5	1	5	1	5	2	3	–
Patrick Snowball	9/9	2/2	–	–	5/5	1/1	–	–	–	–	–	–
Malcolm Le May	9/9	2/2	–	–	–	–	–	–	–	–	–	–
Neeraj Kapur	9/9	2/2	–	–	–	–	–	–	–	–	–	–
Andrea Blance	9/9	2/2	6/6	1/1	5/5	1/1	5/5	1/1	–	–	–	–
Graham Lindsay	9/9	2/2	–	–	5/5	1/1	5/5	1/1	–	–	3/3	–
Paul Hewitt	9/9	2/2	6/6	1/1	5/5	1/1	–	–	5/5	2/2	–	–
Elizabeth Chambers	9/9	1/2	–	–	5/5	1/1	–	–	5/5	2/2	3/3	–
Angela Knight	9/9	2/2	6/6	1/1	5/5	1/1	–	–	5/5	2/2	–	–
Margot James	9/9	2/2	–	–	5/5	1/1	5/5	1/1	–	–	3/3	–
Michele Greene	–	–	–	–	–	–	–	–	–	–	–	–

Skills matrix

This matrix represents the number of directors with core or supplemental capability in areas that are relevant to the Group's business model and strategy. A core capability is one of the strongest areas of a director's skill and expertise, where they bring significant value to Board discussions. A supplemental capability is an area where the director has enough knowledge and experience to carry out their role. This Matrix together with the biographies on pages 71 to 73, shows the combined strength of our Board in areas central to delivering the Group's strategy.

Category

1. Leadership: culture and ethics
2. Strategy
3. Audit and financial reporting
4. Customers
5. Product development
6. Banking
7. UK Banking regulation
8. Shareholder engagement
9. Change management
10. Loans
11. Sub to near-prime lending
12. HR, talent and employee engagement
13. IT and digital initiatives
14. Capital management and treasury
15. Risk management
16. M&A transactions
17. Regulatory landscape and engagement
18. Cyber crime
19. Environmental impact



Director induction and training

Director induction process

As the composition of the Board remained unchanged in 2022, no director induction training took place during the year. Ongoing training was, however, delivered to directors, which included training reflecting the appointment of the majority of the Board to the Board of Vanquis Bank under the restructure of the operating model.

In September 2022, Melanie Barnett was appointed as our new General Counsel and Company Secretary. As part of her induction, Melanie was provided with an induction schedule, which included key reading material and a webinar on directors' duties. Melanie was also appointed as a director of one of the Group's operating subsidiaries, regarding which she received a business-specific induction.

Any incoming director is provided with a comprehensive and tailored induction plan to suit the requirements of their role. Our induction programme is designed to give directors an in-depth understanding of the business, Purpose, culture and Values. The programme includes meetings with members of the Group Executive Committee and other key stakeholders, which may include the Group auditor, external advisors, our brokers, and representatives from the FCA and PRA.

All new directors are provided with full access to our secure electronic reading room within our Board meeting software, 'Diligent', which provides induction materials such as Group policies, structure charts, terms of reference, Delegated Authorities Manual, broker notes, and past Board and Committee meeting papers and minutes.

Director training schedule 2023

Examples of the training expected to form part of the 2023 training programme include:

- financial and cyber crime;
- consumer duty; and
- the Group's refresh of its values.

Ongoing director training

It is important that our directors are made aware of any upcoming developments and receive training tailored to their roles at the Company, given the ever-changing economic and regulatory environment.

Directors undertake training both as a whole Board and based on individual requirements to assist them in carrying out their duties and responsibilities. At least annually, the Chairman discusses with each director his or her contribution to the work of the Board and personal development needs.

During 2022, the directors were provided with deep dives, teach-ins, briefings and presentations on a range of key subjects, including the following:

- the Takeover Code;
- Vanquis Bank Limited business review;
- SMF duties deep dive and general banking regulation;
- unconscious bias training;
- financial crime/cybercrime; and
- vehicle finance strategy deep dive, including a brief on the customer experience and asset management. The Board also listened to examples of customer calls.

Members of the Board also visited our Chatham, Petersfield and Bradford offices.

The arrangements for director training are overseen by the Company Secretary and can be internally or externally facilitated, with sessions typically originating from technical Board discussions or an identified training opportunity. Directors are also given access to an external online academy tool which provides a wide array of briefings, education and bespoke training.

In September, the directors had the opportunity to visit the Moneybarn office in Petersfield and received a deep dive into the vehicle finance business. The directors received an in-depth insight in to Moneybarn's operations, customer journeys, areas of strategic opportunity and business priorities. The Board also met management and colleagues face to face, who took the opportunity to update the Board on key priorities as well as providing an insight into the specific challenges faced within the business.

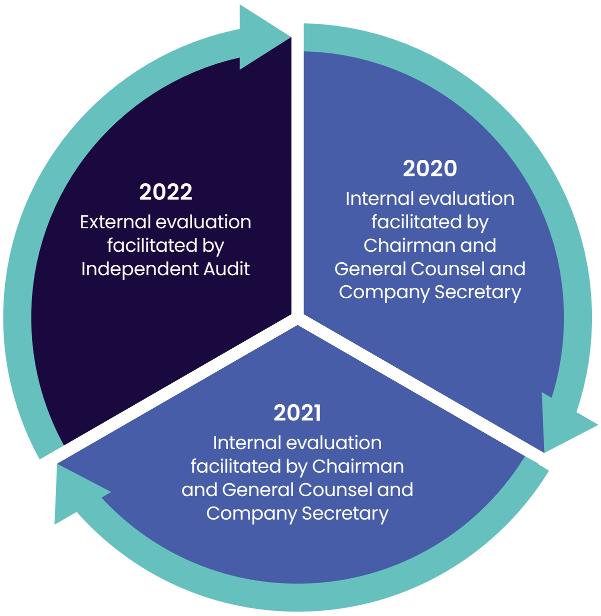
"A busy day at the Moneybarn office gave me first-hand experience of our customer and colleague interactions, and brought to life the day-to-day operations across Moneybarn as I met face to face with colleagues and management from across the different teams.

Andrea Blance
Senior Independent Director

Assessing Board performance – annual Board evaluation

The Board monitors and seeks to enhance performance by reviewing the continuing effectiveness of its activities, and the quality and effectiveness of its discussions and decision making, and by considering the contributions of the Board as a whole, as well as of individual directors. In line with recognised best practice, the 2022 Board and Board committee effectiveness evaluation was externally facilitated by Independent Audit Limited (Independent Audit). Independent Audit's appointment followed a process whereby a number of different external Board evaluation service providers were considered. Besides the provision of Board and Board committee reviews, there was no other contractual connection between the Company or its directors and Independent Audit or the individual directors and Independent Audit. The contents of this section have been reviewed by Independent Audit in advance of publication, who agreed with its accuracy.

Three-yearly evaluation cycle



2022 evaluation process

A number of different external providers were considered, with input received from the Chairman, Senior Independent Director and other Board members.

The Chairman and General Counsel and Company Secretary met with the preferred external provider to discuss their proposed approach to the evaluation. A decision was made to proceed with Independent Audit based on its experience and expertise, including in relation to the financial services sector.

Scoping meeting was held between the Chairman and General Counsel and Company Secretary with Independent Audit to provide insights and agree the approach required to ensure the evaluation was effective and tailored to the Group.

Independent Audit conducted interviews with the Board members and key members of the management team. Board and committee observations took place.

The draft report on Board and committee effectiveness was reviewed by the Chairman and then the final report shared with the wider Board, including the Committee Chairs.

The Board discussed the evaluation results and approved focus areas to enhance the effectiveness of the Board and its committees. Feedback on the Chairman's performance was discussed without the Chairman present and the outcome of the discussion relayed to the Chairman by the Senior Independent Director. Individual performance discussions for directors were held with the Chairman.

Approach to and methodology of 2022 external evaluation

In undertaking the evaluation, Independent Audit carried out:

- a review of Board and Board committee papers;
- interviews with all Board members, the General Counsel and Company Secretary and key members of the senior leadership team;
- observations of Board and committee meetings; and
- the preparation of a report which was shared with the Chairman before being presented to the Board at its December 2022 meeting. The report was quality assured by an independent individual from Independent Audit.

To provide a comprehensive assessment, Independent Audit undertook its review against all aspects of their own board effectiveness model. This model covers both 'what' a board does and 'how' it does it, to give a full assessment of performance. This included: the value and role of the Board; Board composition and dynamics; Purpose and strategy; the management team; information and Board support; Board committees; risk management and internal controls; people and culture; and stakeholders.

Update on focus areas identified from the 2021 evaluation

Focus area	Progress update
Continue to focus on how to enhance the Board's oversight of risk.	The Group CRO has worked with the Risk Committee Chair to ensure the Risk Committee continues to be effective, ensuring the appropriate number of meetings, that the right amount of time is spent on the items and the Committee receives the right data. A review of risk appetite metrics was undertaken, with enhancements made. Reflecting the volatility in the macroeconomic environment the Risk Committee has received more frequent and detailed credit risk reports. Dedicated Risk Committee meetings were held to consider the ICAAP and Core UK Group waiver. The Board receives a risk report from the Group CRO at each meeting and the Group CRO has attended a number of Board meetings to support discussions on risk matters. A verbal report from the Risk Committee Chair regarding the Risk Committee's key discussions and decisions. Risk Committee meetings papers and minutes are made available to all Board members.
Increase the level of engagement between the Board and senior management and between the Board and the wider workforce.	The Board has held a number of colleague engagement sessions across the Group's different sites. The non-executive directors have also engaged with the wider workforce in the Vehicle Finance division and Cards division through attending Colleague Forum events. Executive Committee members attended Board and Committee meetings to present on items as appropriate in the year and attended Board dinners to enable further opportunity for engagement. You can read about our workforce engagement mechanism and the Board engagement with colleagues during the year on pages 82 and 86.
Continue to focus on how the Board oversees and engages with the Group's customers.	The Group's customer service model and strategy, including customer segmentation, market opportunities, product use and customer proposition, were reviewed by the Board. The Board and its committees also oversaw a number of other customer matters during the year, including our preparations for the FCA's Consumer Duty regulation and VBL's customer retention, acquisition and engagement strategy. To read about the activities of our CCE Committee, please see pages 100 to 102.
Drive continued focus on the Group's digital and data strategy and the enhancement of the Board's understanding and discussion of digital market trends and opportunities.	The Board reviewed our technology strategy and how our customer strategy was, and would be, supported by a digital customer experience. The Board oversaw our IT transformation; see pages 77 and 109.
Implement a robust Board training plan for 2022.	A 2022 training plan was agreed and delivered, including areas that supported them in discharging their responsibilities and duties as directors of Vanquis Bank Limited, where relevant. Please see page 92 for details on Board training during the year.

Outcome of the 2022 evaluation process: Board and committee effectiveness

The findings from this year's independent Board performance review were positive, with the Board recognised as highly engaged, experienced and technically proficient. The evaluation noted that together the directors make up a capable and cohesive team which has brought a high degree of competence and calm professionalism to the job of tackling the complex issues the Group has faced in recent years. The review also recognised that good, open and inclusive debate takes place in meetings, with the non-executive directors being supportive, but providing firm challenge. Whilst noting the good gender balance on the Board, the evaluation also acknowledged that focus should be maintained in future recruitment processes on strengthening ethnic diversity on the Board. As with all fair and balanced review processes, the external evaluation identified opportunities to improve the performance of the Board. The agreed focus areas for 2023 are set out below. The Chairman and Board will monitor progress against the agreed focus areas, including a formal interim review during 2023 at a Board meeting.

Some of the Board strengths identified	Agreed areas of focus to enhance performance
– Effective relationship between Chairman and CEO. – A healthy dynamic in meetings and positive relationships on the Board, reflected in lively discussions and good levels of engagement. – High-quality Board and committee papers, providing the right amount of information. – A Secretariat and admin team which provides good support to the Board. – Committees which are well chaired and fulfil their responsibilities.	– Review the Board's approach to monitoring strategy delivery, including strategic milestones and KPIs. – Review the Board's approach of overseeing the Group's technology strategy and its implementation. – Keep under review the key priorities for the skills required in new non-executive directors as part of succession planning and Board appointment processes. – Review the regularity of Board updates from Product Managing Directors and wider Executive Committee team. – Review Board committee meeting attendees to ensure the Board committees continue to have access to the information and expertise needed to undertake their responsibilities.

Outcome of the Chairman effectiveness review

The review carried out by Independent Audit included consideration of the Chairman's effectiveness. The assessment identified that the Chairman was performing well and that he was considered as supportive, hard working and fair and balanced. Following discussion by Board members (excluding the Chairman), it was concluded that the Chairman was performing his role of leading the Board effectively. Andrea Blance, as Senior Independent Director, discussed the feedback and areas for development with the Chairman.

Outcome of the individual director effectiveness review and reappointment

Individual director performance and contribution was assessed with individual performance and development discussions held with the Chairman. The Nomination Committee conducted its annual review of Board and Committee composition. Having considered the skills, experience, knowledge and tenure of the Board, and the independence and time commitment of the directors and Chairman, together with the Chairman and individual director performance evaluation, the Nomination Committee and Board considered that each director in role at the time of its review continued to be committed to their roles, have sufficient time available to perform their duties and to contribute effectively. Accordingly, it was agreed that all directors should stand for election or re-election at the 2023 AGM. As announced on 26 January 2023, Malcolm Le May has decided to step down as CEO, which you can read more about on page 6. It is expected that Malcolm will step down upon Ian McLaughlin joining the Group as CEO in the Summer. In accordance with the Code and our Articles of Association, Malcolm will stand for re-election at the AGM, but will be stepping down as planned upon Ian joining the Group. The independence of the non-executive directors is also considered at least annually and you can read about this in our Nomination Committee Report on page 96.

Overseeing the Group's **leadership needs**

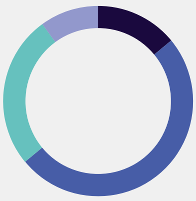
Patrick Snowball
Nomination Committee Chairman

Role of the Committee

The Nomination Committee is responsible for overseeing:

- the Board's composition and structure, including the Board committees, so that it remains appropriate and effective in order to deliver the Company's strategy. To do this, the Committee oversees Board appointments and succession planning;
- the Group's talent management framework to ensure the Group's leadership needs are met now, and in the future. The Committee monitors the senior management succession planning and the Group's talent pipeline, including areas of retention risk; and
- the diversity of the Board and that of the Group's talent pipeline. The Committee monitors the activities across the Group undertaken to meet the Group's diversity objective and to increase the percentage of roles held by women and other underrepresented groups across the Group.

Allocation of time



Diversity	14%
Succession and talent	50%
Board composition and appointments	26%
Governance	10%

The Committee's terms of reference are available at:
www.vanquisbankinggroup.com

"

The Committee has continued to play a key role in supporting the Group's long-term sustainable success through its oversight of succession, talent and diversity.

Patrick Snowball
Nomination Committee Chairman

The Nomination Committee plays a key part in the Group's long-term sustainable success through its oversight of succession, talent and diversity. I reported to you in last year's Annual Report on the Board and governance changes we announced in January 2022 to substantially align the Board membership of Vanquis Bank Limited with that of the Company's, which formed an important step in the execution of our specialist bank strategy. I am pleased to say that following these governance changes, this year's external Board evaluation recognised the overall effectiveness of the Board, including its skills and experience, which you can read more about on pages 93 and 94.

As previously reported and as a consequence of these governance changes, Robert East stepped down from both the Company and Vanquis Bank Limited Boards in January 2022. Other than Robert, the Board and Committee membership remained unchanged during 2022. The biographies of all members, which contain information on their experience, are available on pages 71 to 73 and Committee membership and meeting attendance are set out on page 91.

As announced on 26 January 2023, having led the transformation of the business into a specialist banking group with a focus on customers in the mid-cost and near-prime credit markets, Malcolm Le May decided to step down as CEO. The Group also announced the appointment of Ian McLaughlin as CEO, subject to regulatory approval. During 2022 the Committee led a succession planning process for the CEO role which you can read more about on page 97. We were also pleased to announce on 9 March 2023, the appointment of Michele Greene as non-executive director with effect from 9 March. You can read her biography on page 73 and about her appointment on page 98.

The Group has continued to implement a suite of initiatives amongst our colleague population in order to enhance diversity, and you can read more about these on pages 22, 39 and 98. The implementation of our new Group Job Levelling Framework to drive consistency and transparency regarding the seniority level of each role across the Group, has allowed us to better define who should make up our senior leadership population. This supports our assessment of our senior leadership diversity and our progress against our target to have 40% female representation in the Group's senior management population by December 2024 and also enables us to focus our actions on the right colleague population to drive greater female representation. Female representation in this population (Level 14 roles and above) as at 31 December 2022 was 33%. This is a new measure for us and therefore provides a baseline for future reporting and assessment of our progress on gender diversity as we seek to achieve our 40% female representation target. We still have much to do to meet our 2024 target and in ensuring the Group continues to have a diverse senior leadership team to lead the delivery of our strategy and create long-term sustainable success for the Group. A diverse and inclusive Group remains a priority for us as a Committee and underpins our oversight of our talent and succession plans.

I am also delighted that Fiona Anderson has joined the Group as Managing Director of Cards in April 2022, bringing with her a wealth of experience across credit cards and retail banking.

Key Committee activities in 2022	Committee priorities in 2023
– CEO and non-executive succession planning processes. – Oversight of the implementation of the new operating model. – Review of the Board's skills and experience against Board Skills Matrix. – Review of the Board's succession plan and activities. – Oversight of the Group's talent and succession framework and plans and diversity of the talent pipeline.	– Further progress its proactive planning for Board succession to ensure the Board's membership is appropriately refreshed. – Oversee progress in relation to diversity amongst the Group's senior leaders and how the Group will meet its targets. – Ensure arrangements are in place to report against the new diversity requirements set out in the Listing Rules and Disclosure and Transparency Rules in our 2023 Annual Report.

Board composition and succession

A key element of the Committee's remit is to lead the oversight of Board composition and succession plans. The Committee's annual assessment of the Board and committee composition confirmed its view that the Board and committee composition was appropriate, taking into account: diversity; balance of skills, experience and knowledge; tenure and time commitment; the size and structure of the Board; and independence. Accordingly, following the Committee's recommendation to the Board, the Board is recommending to shareholders that all directors be elected or re-elected at the 2023 AGM. You can read about each director's contribution to the Board in their biographies on pages 71 to 73.

We also consider the tenure of directors to ensure Board membership is appropriately refreshed. When considering our succession planning for non-executive directors, we consider the skills, experience and diversity required on the Board to ensure it is appropriately composed to continue to effectively lead the Group and deliver for our stakeholders. Whilst the Committee and Board recognised that whilst there are no immediate concerns regarding the tenures of the non-executive directors, as a number of the directors joined the Board at similar times, it is key to take a proactive approach in order to stagger succession in the future, thus retaining the balance of skills, experience and diversity the Board needs.

During the year, the Committee considered how to appropriately fill the non-executive director vacancy following the departure of Robert East, whilst also identifying candidates who, through their skills, experience and diversity, could also address the requirements identified by our non-executive succession planning activity. The Board and Committee members reviewed the external on-executive talent pool, considering the experience, skills and diversity of potential non-executive director candidates and how this aligned with the future composition needs of the Board. Through this process Michele Greene was identified as a strong candidate for appointment. You can read about Michele's appointment process on page 98.

The Committee also continued to oversee succession planning to our two executive director roles, which forms part of our talent management and succession process, described further on page 97.

To support the Committee's ongoing assessment and understanding of the Board's collective skills, experience and diversity, Board members are required to complete a self-assessment of the skills and experience which they believe they bring to the Board in areas which support our strategy and business model. To reflect the implementation of combined Company and Vanquis Bank Limited Board roles, the Committee reviewed an assessment of the directors against an updated skills matrix which had been developed to reflect the skills and experience needed for those dual Board roles. The Committee noted that the Board remained well balanced across all skill sets. The Board Skills Matrix review informed the design of the Board's 2022 training programme. You can see more about our Board Skills Matrix and our Board training programme on pages 91 and 92 respectively.

Whilst there were no appointments made to the Board during the year, the Committee did review whether the terms of myself as Chairman and of Graham Lindsay, Non-Executive Director, should be renewed. Following review by the Committee (excluding the impacted directors), it recommended to the Board that, subject to re-election at the 2022 AGM, those terms should be renewed for a further three years and the Board confirmed its approval of the same.

Independence

The Committee and Board have undertaken their annual assessment of the independence of the non-executive directors, along with their character, judgement, commitment and performance. At the year end, all of the non-executive directors, with the exception of the Chairman, were determined by the Board to be independent. In determining the independence, the Nomination Committee and Board took into account the 2018 Code, circumstances which would likely, or could appear to, impair, a non-executive director's independence, including their length of service as well as those directors who were also directors of Vanquis Bank Limited.

Time commitment

The expected time commitment of the Chair and non-executive directors is set out in writing. Prior to appointment, and prior to taking on additional external appointments, an assessment of demands on a director's time are assessed to ensure they have sufficient time available to carry out their role effectively. During the year the Committee also undertook its annual assessment of the time commitment of directors prior to recommending they be submitted to shareholders for election or re-election. With the majority of the Company's Board also members of the Board of Vanquis Bank Limited, our largest subsidiary, the impact of this on the directors' time commitment was considered as part of the annual assessment. The Committee and Board continue to consider that the Board members have sufficient time to undertake their roles effectively.

Board evaluation

During the year, the Committee considered the outcome of the 2021 Board evaluation as it related to areas within the Committee's remit. The 2022 Board evaluation was undertaken externally, with a detailed report on the process and outcome set out on pages 93 and 94. As regards to Board composition, the external evaluation recognised the experience, engagement and technical skills of the non-executive directors and acknowledged the good gender diversity of the Board. The need to continue to improve the ethnic diversity of the Board was also noted. The Committee's effectiveness was also assessed in the 2022 evaluation. The evaluation noted that the Committee was considered to be well chaired and efficient, with all members able to contribute to its discussions and good debate taking place.

Talent management and succession

The Committee undertook its annual talent review, which includes talent identification, succession planning, retention risk assessment and inclusion and diversity. The progress made during the year to embed the Group-wide talent and succession approach has increased the visibility of the Group's talent pool and enabled more robust calibration of talent, helped to identify gaps and support development conversations to drive more robust succession planning.

Whilst the Committee noted the good progress made in talent management and succession planning and the general strength of the internal talent pipeline, in assessing the Group's short, medium and longer-term succession plans, it also noted that continued focus was required to further strengthen the Group's short-term succession plans for Executive Committee roles following the recent target operating model changes. This will remain an area of focus for our talent management and succession programme for 2023.

The Committee members were able to engage with our key talent during the year, such as through site visits and product-focused sessions. You can read more about the Board's colleague engagement activity on pages 82 and 86.

As part of its role in ensuring the Group has the leadership capabilities to deliver its strategy, the Committee continued to oversee progress of the implementation of the Group's new target operating model, considering the impact of the changes on colleagues one and two levels below the Executive Committee as well as the wider colleague population.

Senior management succession planning in action

During the year Melanie Barnett was appointed as General Counsel and Company Secretary and Nicola Lipson as Chief People Officer (CPO), with both now key members of the Executive Committee. Following appointment processes taking place, both Melanie and Nicola were promoted to their roles from existing roles with the Group, with Melanie joining the Group in 2020 as Deputy General Counsel and Nicola holding previous roles in the Group as Vanquis Bank HR Director and as HR Business Partnering, Culture and Engagement Director. Both were identified through our ongoing talent and succession process, which is overseen by the Committee (and which you can read more above) and were identified as a key members of our talent pipeline and as having the potential to succeed to more senior roles. Their appointments support the diverse range of views around the Board, Board committee and Group Executive Committee tables.

CEO succession planning and selection of new Chief Executive Officer

The Group announced on 26 January 2023 that, having led the transformation of the business into a specialist banking group with a focus on customers in the mid-cost and near-prime credit markets, Malcolm Le May had decided to step down as CEO. The Group also announced the appointment of Ian McLaughlin as CEO and Executive Director, subject to regulatory approval. Ian is a highly experienced banking CEO with a strong track record of delivering growth through improving customer service and enhancing distribution throughout his extensive financial services career in consumer finance, motor finance, savings, SME finance and mortgages.

The Board, with the support of the Nomination Committee, keeps executive succession plans under regular review whilst taking into account the strategic priorities of the Group. In line with our succession processes, we undertake a formal, rigorous and transparent search process for each appointment, using objective criteria covering experience and personal qualities and taking into account the benefits of diversity.

As part of its executive director succession planning process, during 2022 the Nomination Committee completed a review of the internal succession plan for the CEO role alongside an extensive externally facilitated market mapping process of external talent. To support this succession planning process, a job specification was developed with the assistance of Russell Reynolds Associates and reviewed by the Nomination Committee.

Our succession planning process identified a longlist and subsequently a shortlist of internal and external candidates. Each candidate went through a formal, robust and detailed assessment led by Russell Reynolds Associates against the key evaluation criteria identified for the role of CEO. Following this assessment, a series of interviews were conducted by the Chairman and non-executive directors of those candidates identified for interview. Reflecting that the Group CEO is also CEO of Vanquis Bank, candidates were also assessed as to whether they were fit and proper to undertake the role. The Nomination Committee considered the outcomes of the external assessment and of the interview processes. As part of the process the Nomination Committee and Board considered the skills and development areas of the preferred candidates.

On Malcolm Le May confirming his decision to step down, the Nomination Committee reviewed the proposal regarding the appointment of his successor and, following consideration of the robust, diligent and externally facilitated process, the Nomination Committee recommended to the Board the appointment of Ian McLaughlin as CEO, subject to regulatory approvals. Malcolm will continue as CEO until Ian joins, and then will remain with the Group to support an orderly transition. Ian is expected to join the Group in the summer, following his notice period.

Ian's appointment, when effective, would not change the current diversity of the Board. On appointment, Ian will undertake a tailored induction plan and we will report on this in next year's report.

Other than for recruitment and related talent advisory services, Russell Reynolds Associates has no other connection to the Company or individual directors. Russell Reynolds Associates is a signatory of the Enhanced Voluntary Code of Conduct for Executive Search Firms, which specifically acknowledges those firms with a strong track record in and promotion of gender diversity in FTSE 350 companies against the scope of the Davies Review.

Inclusion and diversity

Our approach across the Group to inclusion and diversity, including our initiatives to support diversity, is set out on page 39.

Our Inclusion and Diversity Policy, which includes Board diversity, is designed to promote equality, diversity and inclusion across all parts of the Group and to ensure that we have a working environment where everyone feels included and valued. You can read about the aims of our Inclusion and Diversity Policy and how it supports the delivery of our strategy in the table on page 99.

The Committee has overseen progress against the Group's inclusion and diversity strategy and the actions being implemented to meet its diversity targets. It received an update on the Group's inclusion community and the work of our different Affinity Groups, including efforts to raise colleague awareness of inclusion initiatives and to support an inclusive culture.

The Committee reviewed the progress being made in relation to enhance the Group's diversity data, which is critical to the senior leadership team and Committee's roles in ensuring targeted diversity planning and initiatives.

The Committee also undertook a review of our diversity targets, and our progress against those targets, and agreed that the existing current Group diversity target remained fit for purpose. The Committee noted that good progress had been made and, it was also acknowledged that there was more that could be done to further build the Group's inclusion and diversity agenda in 2023, such as a continued focus on inclusion and diversity data collection, building talent pipelines and supporting our inclusion community. The Committee also requested management ensure focus was given to specific functions and teams where greater female representation was required. During the year, the Committee also reviewed the outcome of the FCA final policy decision for proposals set out in CP 21/24 'Diversity and inclusion on company boards and executive committees' and the resulting changes to the Listing Rules and Disclosure and Transparency Rules. Whilst the Company is not required to comply with the requirements until it publishes its Annual Report for the financial year ending 31 December 2023, as highlighted elsewhere in this report: following the appointment of Michele Greene, the Group has increased female representation on the Board to 50%; the membership of each of our standing Board committees is majority female, with two of the Committee chaired by female directors and our Senior Independent Director is also female; and we also have one director of an ethnically diverse background. This year we updated our Inclusion and Diversity Policy to reflect the changes to the Listing Rules and Disclosure and Transparency Rules and the Committee will formally report against these requirements in our next report.

Non-executive director appointment: Michele Greene

Candidate requirements	A role specification was agreed which sought to identify candidates with skill and experience areas which would enhance the Board's effectiveness as it sought to deliver its banking strategy, including experience in retail banking, cards and digital wallets. Candidates were sought with experience which reflected requirements of the Group's proactive non-executive succession planning, including those who could succeed to chairing Board committees in the future. A key aspect of our candidate requirements was cultural fit and a natural affinity and empathy with the Group's Purpose and our customers. The candidate specification was prepared to clearly recognise the value of diversity and inclusion and to reflect that diversity in its broadest sense was a key priority for our search.
Search process	The candidate search and identification process was led by the Chairman and supported by Korn Ferry, which produced a longlist of candidates to support the Committee's succession planning process. From an initial potential candidate list of 29 candidates (with 66% female representation), the Committee reviewed a refined list of 17 potential candidates, with a shortlist of preferred candidates chosen for further discussion and engagement. We worked with Korn Ferry to ensure that the appointment search was alert to all aspects of diversity and inclusion throughout the process. Female representation in the shortlist of candidates for future non-executive director roles was 41%. In considering the pool of potential candidates, the Committee considered and discussed the ethnic diversity of the non-executive director talent pool, challenging what further action could be taken to drive greater ethnic diversity in the pool of potential candidates in order to support the Company's desire to continue to improve the ethnic diversity of the Board. The Chairman engaged with our external recruitment advisor on this matter.
Interviews and assessment of suitability	Following review of the potential candidates, Michele was interviewed by Patrick Snowball and other Board members and assessed against the role requirements.
Appointment	Following interviews, the Nomination Committee recommended the appointment of Michele's to the Board. Michele's appointment brings a range of skills and experience to the Board, including in areas identified in our Board Skills Matrix. She has deep knowledge within the consumer credit, card payments and digital banking sector. Michele is a chartered accountant by background and combines finance leadership, with a strong strategic and digital capability and entrepreneurial experience. She also brings experience needed to support our Board succession plans, with skills and experience to chair Board committees in the future. Michele joined the Board on 9 March 2023. We will report on the induction programme in next year's report. We were supported in the search by Korn Ferry. Other than for recruitment and related talent advisory services, Korn Ferry has no other connection to the Company or individual directors. Korn Ferry has been accredited by the FTSE Women Leaders Review (and its predecessor the Hampton-Alexander Review) under the Enhanced Voluntary Code of Conduct for Executive Search Firms, for its work in actively moving the dial on gender diversity across the FTSE 350 and beyond.

Aims/objectives of our Inclusion and Diversity Policy	Our Board Diversity Policy	How our Diversity and Inclusion Policy supports delivery of our Purpose and strategy
– Creating and promoting an inclusive and positive culture and working environment that is free from discrimination. – Ensuring that all colleagues are treated with dignity and respect, regardless of any personal characteristics, and in accordance with the law. – Creating a culture where all our colleagues feel able to speak up about any concerns. – Addressing any instances of inappropriate or unacceptable behaviour such as harassment, bullying, discrimination and victimisation. – Providing guidance, training and support to help our colleagues deliver our inclusion and diversity commitments. – Ensuring our managers lead by example and set appropriate standards. – Enabling all colleagues to reach their full potential and contribute fully to the success of the business. – Ensuring policies, procedures and practices comply with relevant legislation and are inclusive of all. – Actively engaging in days and events which support equality, inclusion and diversity. – Promoting our inclusion community and Affinity Groups to increase awareness of inclusion and diversity.	– Sets out our commitment to achieving a diverse and inclusive Board and senior management team. – Recognises that having a wider range of perspectives represented at senior level contributes towards a high-performing, effective leadership team that brings greater diversity of thought to better respond to our diverse customer base and stakeholder views, in order to achieve the Group's overall strategic aims. – Ensures that the selection process for Board appointments is based on merit, whilst also ensuring diverse shortlists for Board roles. – Requires the Board's standing sub-committees to be appropriately composed in order to undertake their duties effectively, including appropriate balance of diversity. – Confirms our commitment to measurable objectives regarding Board and senior management diversity, including those set out in the Women in Finance Charter, Hampton-Alexander Review and Parker Review. – Reiterates the Board and Nomination Committee's roles in supporting and monitoring activities to increase diversity in senior management roles and talent pipeline. – Supports the engagement of executive search firms which have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice. – Embeds diversity targets set out in the Listing Rules and our commitment to meeting diversity requirements set out in the Listing Rules and Disclosure and Transparency Rules.	By delivering our policy's key aims, it is the Board's view that the Group will benefit from a wider range of perspectives and ideas represented at each level of management and at Board level, contributing to a high-performing and effective leadership team which brings greater diversity of thought to better respond to our diverse customer base and stakeholder views in order to achieve the Group's overall strategic aims. An effective and diverse Board (and Board committees), with the appropriate collective balance of diversity, skills and experience, has the foundations to be able to support stakeholders' views, challenge management and achieve the Group's overall strategic aims by having a wider range of perspectives represented at Board level.

Objective	Progress and implementation
To ensure a rounded and diverse Board and Group Executive Committee; appointments will be made on merit, taking into account different backgrounds, diverse experience, perspectives, personalities, skills and knowledge, as well as alignment with the Group's culture.	Our Inclusion and Diversity Policy, including the Board Diversity Policy, and our formal documented Board appointment require that appointments are to be made on merit, taking into account diversity and alignment with the Group's culture. Diversity forms a key consideration of Board appointment and succession planning processes. You can read more about our most recent Board appointment processes on pages 97 and 98.
To ensure Board appointment 'long lists' reflect the Board's diversity commitments.	Our Board Diversity Policy confirms our commitment that all shortlists for our Board and senior management positions are balanced from a gender perspective. Our Chairman and Nomination Committee also ensure that we work with external search firms to drive diverse candidate 'longlists' for consideration for roles as they arise.
To maintain a balance of one-third of the directors being women as a minimum.	We have continued to exceed this objective and female representation on the Board as at the date of this report is 50%.
To maintain a minimum of one director from an ethnically diverse background in support of the Parker Review target.	We have continued to meet this objective.
The Board will support and monitor Group activities undertaken to meet its diversity objectives and to increase the percentage of senior management roles held by women and other underrepresented groups across the Group.	The Committee has continued to review the Group's inclusion and diversity strategy and initiatives, which have a key role in ensuring we have a diverse senior management and colleague population and an inclusive culture. When reviewing talent management and succession, the Committee has reviewed the diversity of our talent pipeline and discussed barriers to greater diversity.
Additional management diversity objective	
As a signatory to the HM Treasury's Women in Finance Charter, we have a target to have 40% female representation in the Group's senior management population by December 2024.	You can read on page 39 about the progress made towards this target during the year. For the purposes of this target we have identified Level 14 and above roles as the relevant population and female representation in this population was 33% as at 31 December 2022. We also remain committed to delivering this objective by the December 2024 deadline. We remain focused on meeting the Hampton-Alexander target of 33% at the Executive Committee level and its direct reports. Female representation in the Executive Committee and direct reports population was 32% as at 30 March 2023. This represents positive progress in relation to this population over the last year; however, we remain focused on continuing our progress.

Patrick Snowball
Nomination Committee Chairman
30 March 2023

Overseeing our people and culture

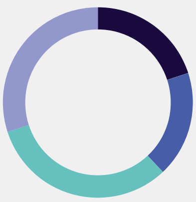
Graham Lindsay
Customer, Culture and Ethics Committee Chairman and Designated Non-Executive Colleague Champion

Role of the Committee

The Committee is responsible for:

- overseeing the embedding and monitoring of the Group's culture, ensuring that any material issues in regard to the culture and ethics applied across the Group are addressed;
- overseeing the development, embedding, and monitoring of the KPIs by management of the Group's customer objectives, Purpose, culture and ethics within its operations, consistent with the Group's Strategic Blueprint;
- overseeing the Group's efforts to ensure that its policies, business processes, procedures, systems and behaviours are consistent with improving the customer experience and delivering fair customer outcomes;
- reviewing and providing guidance for external communications on key reputational issues within its remit, such as customers, diversity, and sustainability (ESG agenda: environment, social, governance);
- ensuring that appropriate arrangements are in place to support compliance with the 2018 UK Corporate Governance Code and the accountabilities under section 172 of the Companies Act 2006 as appropriate; and
- ensuring that appropriate employee engagement mechanisms are in place for the Board to understand the views of colleagues so these can be factored into decision making.

Allocation of time



KPI tracking	20%
Reviewing policies against Group's culture	18%
Monitoring governance, ESG commitments and CR reporting	32%
Monitoring stakeholder expectations	30%

The Committee's terms of reference are available at:
www.vanquisbankinggroup.com

> Corporate culture is everything; it impacts on everything we do. Getting the culture right will ensure our business is sustainable, and delivers the right outcomes for our customers, colleagues and shareholders.

Graham Lindsay
Customer, Culture and Ethics Committee Chairman and Designated Non-Executive Colleague Champion

I am pleased to present an overview of the Committee's work during 2022. It has been a busy year for the Committee which included the oversight of providing redress to customers through the CCD Scheme of Arrangement, following our campaign to contact 4.2 million customers via letter, email and media, and the Group's refresh of the Strategic Blueprint following the significant change to the business model, which you can read more about on page 22. The Committee is encouraged by the continuing development, of the Group's Mission, vision and strategic drivers which will further embed the Group's Purpose and ensure we are focused on doing the right thing for our customers, colleagues, and all other stakeholders.

The membership of the Committee remains unchanged, comprising three independent non-executive directors and, where appropriate, the executive directors and members of the senior management team are invited to attend meetings. Biographies of the members, Elizabeth Chambers, Margot James and me are available on pages 71 to 73.

During the year, the Committee's core duties remained unchanged as we continue to be focused on our responsibilities to our customers and overseeing the Group's culture. At each meeting the Committee reviewed and discussed the key performance measures within the Group's Blueprint and Customer Dashboards.

The Committee reviews the outcome of the annual Colleague Survey each year. The survey for 2022 confirmed that we maintained good levels of colleague engagement throughout what has been a difficult and challenging year due to the change across the Group, including the wind-down of the CCD business, the Scheme of Arrangement, and the restructure of the Group's operating model. You can read more about the employee survey results on page 39.

Feedback from the action planning sessions on the 2022 Colleague Survey is currently underway across the Group and will be used to further inform and develop collective action plans.

Monitoring Dashboards

The Committee adopts a KPI and evidence-based approach to its work.

The Blueprint Dashboard consists of four Blueprint outcomes, each measured by a variety of metrics, with targets set where appropriate, to ensure that the Group is able to demonstrate that it is delivering business activities in accordance with its Purpose and Strategic Priorities. The Group's Head of Sustainability is a standing attendee at the Committee meetings and has responsibility for monitoring and reporting metrics within the Blueprint Dashboard.

This Blueprint Dashboard is updated and submitted for review by the Committee at each meeting so that it can monitor and challenge the embedding of the Group's culture and delivery of positive customer outcomes.

Providing ongoing support to our communities, particularly to children and young people, is an important aspect of delivering our Purpose. The Dashboard confirmed that good progress had been made on the number of colleague volunteering hours being undertaken during 2022, with colleagues using their skills in support of a large number of charities. There were also many team challenges including at Thornton Community Centre and Café West Community Centre in Bradford.

Thornton Community Centre offers a wide range of activities that support the local community, such as stay and play sessions in the morning and youth groups in the evening. The team was tasked with turning a currently unused grass area into a safe outdoor space by building a fence around it. Café West is a community centre in the Allerton area of Bradford which serves a diverse community and provides a range of services, including more than 30 different activities each week. The team transformed an overgrown area into a new community growing space by clearing out weeds, replacing topsoil, levelling the ground, dismantling old raised beds and making this outdoor space available to use.

Our colleague volunteering opportunities included the provision of mentoring support to students at New College Bradford, through a collaboration with our charity partner, the Ahead Partnership. Through the programme three colleagues mentored a group of 11 young people, aged 16-18, from New College Bradford, who are all taking IT and business focused courses, in order to raise awareness of the opportunities available in our business. The Committee tracks the volunteering hours via the Blueprint Dashboard because it is an important aspect of the Group's Social Impact Programme and shows how colleagues can use their own career journeys, backgrounds and experiences to inspire children and young people and help them to develop the core skills they need to live their lives and achieve their full potential.

The Blueprint Dashboard enables the Committee to monitor customer experiences through use of metrics such as Net Promoter Score (NPS). During 2022, the Committee noted that the NPS score in the Group's vehicle finance business had declined which enabled the members to explore root cause issues and corrective actions with management. The Committee was able to propose how the NPS survey could be better used to improve customer experience and provide useful feedback to customer-facing colleagues.

During the year, the Committee received an update on the progress of the newly developed Conduct Risk Dashboard, which was created to enable monitoring of the high-level customer journey and customer outcomes. The first line customer outcome testing approach has been evolved to provide outputs that are aligned to the conduct risk framework. The framework was enhanced to include a 'three-lens' approach (Customer Outcomes, Business Outcomes and Customer Experience) within the scorecard. During the work to enhance the framework, a sliding scale was designed to draw out the materiality of the outcome from both a conduct and business process perspective. Metrics have been placed against each stage of the customer journey and these are tracked in the Risk Committee. For more information on the metrics please see the Risk Report on page 108.

In 2022, the Committee regularly listened to customer calls. At its November meeting the Committee listened to calls and considered how these calls had been assessed against the newly developed My Customer and Me (MCAM) framework. The MCAM framework provides the business with a level of assurance around customer testing that is able to clearly demonstrate when outcomes are or are not meeting the expected Group standards. This confirmed that when applied practically, the framework will highlight where customer interactions contain risks to the customer outcome, regulatory compliance or to the operations of the Group. Where a poor outcome is identified, the framework ensures corrective action is undertaken and managed in line with agreed controls. The Committee discussed the calls and agreed that, generally, the quality of service provided by the customer-facing colleagues was of a high standard and any areas of improvement that had been identified would be taken forward by management.

Blueprint and culture refresh

During 2018, the Group developed a Blueprint which comprised our Purpose, four strategic drivers and three behaviours, and was designed to underpin the culture we needed to be successful. A great deal has happened in the four years since the Blueprint was developed and launched including an unsuccessful hostile takeover bid, a global pandemic, and the wind-down of the CCD business. Looking to the future, the UK now faces a cost of living crisis and increased economic uncertainty and we believe there is significant opportunity for the Group to be best placed to serve the needs of more people as the first-choice bank for those who are excluded from accessing financial services from traditional lenders.

The Blueprint has been refreshed during the year to ensure it is still relevant today and remains fit for the future of the Group. Good progress has been made on evolving the Blueprint and our core messaging regarding our Purpose, Vision, Mission, Strategic Drivers and Behaviours. The Committee discussed in detail how the Group would deliver on the Purpose through a clear vision and Mission and how this will be achieved through the three strategic drivers. Our Mission is to be the 'first-choice bank for the UK population who are excluded from accessing financial services by the traditional lenders'. To achieve that mission, the focus remained on people and culture, growing our business in a sustainable and responsible way and customers and community. The Committee reviewed the Blueprint Dashboard to ensure that the metrics currently tracked remained appropriate and aligned with the refresh work.

Corporate Responsibility Community Programme

The Purpose of our business is to help put people on a path to a better everyday life. One of the ways we do that is by partnering with organisations through the Group's community investment programme to support the delivery of activities and initiatives which seek to address some of the key factors which, on their own or acting together, can reduce social and/or financial inclusion. In 2023 we will build on this award winning programme and launch a Foundation. The Foundation will focus on helping to put children and young people on a path to a better everyday life by providing them with access to education, social and financial inclusion, and economic development opportunities.

Corporate Responsibility Community Programme continued

The Foundation will seek to improve the lives of children and young people by providing educational and social development opportunities which support financial and social inclusion. In 2022, the Committee reviewed the launch by the Group of a £100,000 scheme working in partnership with School-Home Support and the Dixons Academies Trust to supply essential items of school uniform for students who need support across Bradford, Liverpool, Manchester and Blackpool. School uniforms, in some cases, can cost as much as £300, and as families struggle with the cost of living crisis and rising energy bills, providing school uniforms for their children can become a challenge, so we were pleased that the Group was able to lend its support.

ESG and stakeholder considerations

Following the operating model changes and the creation of the new shared services division, including procurement services, the Committee supported improvements to the Group's supplier relationship management with a new supplier relationship management (SRM) framework launched in 2022, under which all colleagues will be held accountable for the management of key suppliers within our supply base. The Committee considered the relationships the Group has with its suppliers, the impact of the closure of CCD on suppliers and how we continue to ensure and evidence that our supply chain adheres to and complies with the Modern Slavery Act.

In the last 12 months, the Group has been heavily focused on maintaining suppliers' service levels across its divisions following the closure of the CCD business. A supplier survey was sent to a representative sample of our supplier base. The questionnaire was designed to try and extract an accurate perception of the Group as a customer, from suppliers from different divisions and varying criticalities. The overall responses evidenced that the Group is regarded as a good customer, though areas for enhancement both in collaboration potential and communication of Group Strategy were also identified and the Committee will continue to monitor these.

The Committee supports the Board in providing oversight of the Group's approach in managing and reporting ESG-related matters. During the year, the Committee received two updates on how the climate risk agenda was being governed and managed across the Group. This included an update on the strategy in place to enable the Group to determine the actual and potential impacts of climate-related risks and opportunities on the business and its key stakeholders, and one on the progress being made by management in setting carbon reduction targets which align with current climate science, details of the Group's TCFD report are set on pages 40 to 49. Throughout 2022, we have engaged with colleagues via the 'Greenprint' section of the Stay Connected intranet site on a range of issues such as why we measure and report our carbon footprint. Please see our ESG Report on pages 45 to 49.

Graham Lindsay
Customer, Culture and Ethics Committee Chairman
30 March 2023

Committee activities in 2022	Committee priorities in 2023
– Important progress has been made on the 2022 leadership development strategy which comprised building the outline to an Inclusive leadership programme for senior leaders across the business. – In order to contribute to the Board's overall accountability for the delivery of the Group's sustainability performance, the Committee ensured that embedding sustainability throughout the business, strengthening our governance to manage climate-related risks and opportunities, and monitoring progress of our net-zero target were priorities. – In order to support the Board's oversight of the key stakeholder relationships the Committee received an update on the Group's relationship with key suppliers; the feedback from the suppliers was overall very positive, with some helpful comments on potential improvements which could be made in both 'collaboration potential' and communication of the 'Group Strategy'. – The Committee listened to a wide range of randomly selected customer calls from across the different product lines to monitor customer outcomes and identify any opportunities for improvement, which had been fed back to product MDs. – The Committee received an update on the progress of the implementation of the Consumer Duty requirements across the Group. – Reviewed and approved the Group's Modern Slavery Act Statement. – The Committee received an update on the progress made on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). – The Committee received an update on the progress of the newly developed Conduct Risk Framework including the high-level customer journey which had been produced, and the expected customer outcome that been defined alongside each journey stage. – Received an update on the progress made in delivering the 2022 stakeholder engagement strategy objectives and noted Group's stakeholder engagement objectives for 2023. – The Committee received comfort that the Group was fully compliant with the 2018 UK Corporate Governance Code for 2022. – The Committee reviewed the proposed governance and management controls which had been implemented to ensure that sufficient level of oversight is provided, of the approach that Group takes to comply with the TCFD recommendations. – The Committee received an update on the cost of living crisis which included the FCA's guidance on tailored support and what's required of firms.	– Continue to discuss and review workplace related matters including the results of the Group's Colleague Surveys, feedback from Colleague Forums, the diversity and inclusion agenda and leadership and development provision, monitoring progress with the Future of Work programme. – Continue to focus on the customer agenda by monitoring progress on customer metrics relating to the embedding of a customer-focused culture across Vanquis Banking Group and ensuring that customer outcomes and interests are considered throughout every stage of the customer lifecycle. – Review the previous year's s.172 Statement against the market, consider external advice and identify areas for enhanced reporting in this area. – Oversee the Group's approach to minimising its contribution to climate change by reviewing the delivery of the Group's net-zero strategy and by managing climate-related risks through its Task Force on Climate-related Financial Disclosures (TCFD) work. – Review the Group's compliance with relevant regulatory and voluntary requirements, including the Company's Modern Slavery Statement, Gender Pay Gap Reports and Prompt Payment Code. – Review and approve the Group's community investment strategy for 2022-23. – Oversee the embedding of the stakeholder engagement strategy and monitor progress against the same. – Review whistleblowing data and consider any cultural root causes and issues.

Ensuring a robust **control framework**

Paul Hewitt
Audit Committee Chairman

Role of the Committee
The Committee is responsible for overseeing the following:

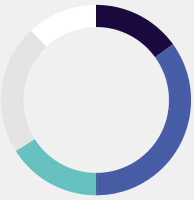
Financial reporting
- monitoring the integrity of the financial statements, and any other published financial information, and reviewing the significant financial reporting judgements therein;
- advising the Board on the Annual Report and Accounts, including whether it is fair, balanced and understandable;
- assisting the Board in assessing the Company's going concern status and ongoing viability;

External audit
- conducting the tender process and recommending to the Board the appointment, remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor;
- assessing the effectiveness of the external auditor;
- implementing and monitoring the Group's policy on non-audit services;

Internal audit
- assessing and monitoring the effectiveness of the Group's Internal Audit function, including approving the annual Internal Audit Plan; and

Internal controls and processes
- reviewing and monitoring the effectiveness of the Group's system of internal financial and operational controls.

Allocation of time



Governance	15%
Financial reporting	35%
External audit	16%
Internal audit	22%
Management reporting	12%

The Committee's terms of reference are available at:
https://www.vanquisbankinggroup.com

> Throughout 2022, the Committee oversaw significant progress on the embedding of an enhanced control regime. This, combined with close monitoring of the uncertain macroeconomic landscape, will continue to be the focus for 2023.

Paul Hewitt
Audit Committee Chairman

I am pleased to present the Audit Committee Report for the year ended 31 December 2022, which summarises the key activities of the Committee during 2022 and confirms compliance with the Competition and Markets Authority Statutory Audit Services Order.

The Committee membership has remained consistent for the last three years, with me as Chair alongside two other non-executive directors, Andrea Blance and Angela Knight. Angela Knight continues to chair the Risk Committee and works to ensure that the work of both Committees is coordinated. The biographies of all members, which contain information on their qualifications, are available on page 71 and Committee attendance is detailed on page 91. The Board remains satisfied that the Committee as a whole has sector competence and an appropriate level of relevant financial experience.

I am pleased to report that the recent Board effectiveness review (page 93) confirmed that the Audit Committee was 'well managed', had a 'good level of oversight' and provided a forum for 'vigorous challenge' when necessary. The alignment of the Boards of Vanquis Bank Limited and the Company also continued to embed successfully throughout the year, reducing the administrative burden and streamlining governance arrangements.

The transformation of the Group Finance function to ensure sufficient maturity for an enhanced control regime, as recommended in the BEIS White Paper, 'Restoring trust in audit and corporate governance', progressed well throughout the year. In parallel, the implementation of our Integrated Assurance Framework also remained on track. The Committee was satisfied with the Group's progress against the recommendations made in the White Paper and remains committed to the further embedding of enhanced controls throughout 2023.

I look forward to our 2023 AGM, where I would be pleased to answer any further questions on the work of the Committee.

Committee activities in 2022	Committee priorities for 2023
– Reviewed and approved the 2021 financial statements and areas of significant judgement, including the going concern basis and viability statement. Confirmed that the 2021 financial statements were fair, balanced, and understandable. – Reviewed and approved the Preliminary Results Announcement. – Reviewed and approved the Non-Audit Fees Policy and non-audit fees for 2021. – Reviewed and approved the External Audit fees. – Confirmed Internal Audit's Charter, statement of independence and objectivity and effectiveness. – Reviewed the 2021 external auditor's full-year report and management letter and recommended approval of the same by Board. – Reviewed and confirmed the result of the Internal Audit Self-Assessment. – Reviewed and approved the annual internal statement of governance, risk management and internal control. – Confirmed that there were sufficient distributable reserves to recommend the payment of the 2021 interim dividend (paid May 2022) and the 2022 interim dividend (paid September 2022) to the Board. – Received the external auditor's interim review. – Received and approved the external auditor's proposed 2023 audit plan. – Reviewed the accounting judgements proposed by management including those set out on page 107. – Received regular updates from management on the continued embedding of the transformation of the Group Finance function. – Received regular reports on the implementation of the Integrated Assurance Framework. – Reviewed and approved the Interim Management Statement. – Confirmed the coordination of activities between internal and external audit. – Reviewed and approved the 2023 Internal Audit Plan. – Received an update on the progress made against the TCFD recommendations. – Received an update on the Group's risk assessment processes and preventative measures to prevent the Corporate Criminal Offence of failure to prevent tax evasion. – Received an update on the outcome of the Board committee effectiveness evaluation. – Reviewed and approved the Committee's terms of reference, 2023 forward agenda planner and adherence with its terms of reference during 2022.	– Continued embedding of the Integrated Assurance Framework across the three lines of defence. – Continued oversight of the transformation of the Group Finance Team to ensure the correct level of maturity for an enhanced control regime. – Continued monitoring of the legislative and regulatory landscape in relation to audit reform and controls enhancements. – The further development of data analytics in the Internal Audit function.

Fair, balanced and understandable

Having regard to its duty under Code Provision 25, the Committee considered whether the 2022 Annual Report and Financial Statements, when taken as a whole, was fair, balanced, and understandable.

The Committee adopted the same robust process as in prior years to justify the statement. This included:

– Committee reviews to provide input at early stages of drafting. Committee feedback was then incorporated into subsequent drafts;

– oversight of the process, which included input, evaluation, and verification by Group senior management;

– external evaluations of the Remuneration and Governance Reports respectively; and

– private sessions with the external auditor.

The Committee considered management's areas of significant judgements, estimation, and uncertainty and emerging issues as set out in the financial statements on page 163 to 164. These areas, alongside the going concern assumption, were scrutinised and challenged by the Committee and the external auditor as part of the year-end processes.

In assessing compliance with the Code, the Committee considered the following criteria:

Is the Report fair?

– Is it a full reflection of events throughout the year and consistent with messages communicated throughout the year?

Is the Report balanced?

– Is the narrative reporting consistent with the financial reporting?

– Are the statutory and adjusted measures are appropriately balanced?

Is the Report understandable?

– Is it presented in a logical order and using clear language?

– Are important messages clearly highlighted as such?

– Is information shown in tabular or graphic form where this would assist the reader?

Conclusion

The Committee concluded that, in its opinion, the 2022 Annual Report and Financial Statements, when taken as a whole, are fair, balanced, and understandable and recommended this assessment to the Board.

Financial reporting process internal control and risk management systems

The Committee receives regular reports from the Internal Audit and Group Risk functions in relation to the effectiveness of internal controls and risk management systems. Where recommendations for improvement are made, these are agreed with management and progress is monitored by the Committee at each meeting. In 2021, the Committee commissioned an external review of the Group's internal financial controls environment, which identified three areas where continued improvement was required.

Area for improvement identified in 2021	Progress to date
Implementation of a Group-wide integrated risk system	Significant progress was made during the year on the implementation of the Integrated Assurance Framework. The framework, facilitated by the Riskonnect software, will facilitate a single view of all risks across the Group. You can read more about our risk harmonisation activity on pages 54-58.
The embedding of our specialist banking group strategy	The common Board structure and integrated operating model embedded successfully during 2022, reducing the administrative burden and enhancing strategic oversight. The transformation of the Finance Function has also progressed well during the year, with key improvements to internal controls notably in relation to the general ledger, management reporting, financial planning, treasury and the finance operating model.
The IT platform modernisation	A transformation programme is being executed which, over the next few years, will see all products on a unified modern technology platform, providing a single view of our customer, and enable our strategy and aspirations to be achieved. The transformation activity has commenced, with personal loans being serviced through the new platform in 2023, followed by credit cards and vehicle finance.

Internal Audit submits to the Committee an annual assessment of the overall effectiveness of the governance, risk, and internal control environment of the Group. The assessment is a holistic view, considering the aggregate outcomes of audits conducted over the year, and assesses a range of factors including first line controls, risk appetite metrics, risk and controls awareness, governance structures and people risk. In February 2023, Internal Audit confirmed that the Company's control environment had improved significantly during 2022 and that the Risk, Compliance and Finance Functions were adequate and effective.

Deloitte LLP provides an annual management letter which identifies significant internal controls matters and the management response. The Committee also holds private sessions with the external auditor, in the absence of executive directors or management, to ensure that any issues of concern are escalated to the Committee as necessary.

Internal Audit

The Group continues to operate an in-house Group Internal Audit function, managed by the Group Chief Internal Auditor who reports to the Committee at each meeting. Specialist services are provided by third-party consultants where necessary and are subject to the Group policy on non-audit work. During the year, the Group Internal Audit function executed the approved annual audit plan. The Plan is developed through a risk assessment against each of the Group's principal risks (page 59) and the methodology for its development continues to be refined to ensure optimal risk coverage. The audit conclusions for 2022 demonstrate a significant improvement in the control environment since the prior year. The Committee is satisfied that the Group Internal Audit function is both independent and effective, as detailed below.

Independence	The Group Chief Internal Auditor reports directly to the Chair of the Committee, with an administrative reporting line to the Group Chief Executive, and has no responsibilities outside of oversight of the Internal Audit function, as required under the Institute of Internal Auditors Code of Practice. The Committee holds regular private sessions with the Group Chief Internal Auditor, in the absence of any executive director or member of management. The Chair of the Committee also meets with the Group Chief Internal Auditor at least quarterly. The Group Chief Internal Auditor confirms to the Committee that the Internal Audit function is organisationally independent through an annual attestation.
Effectiveness	The Committee annually approves the Internal Audit Charter and regularly monitors progress against the Internal Audit Plan. The Committee scrutinises an Internal Audit self-assessment and effectiveness review annually, and requests regular updates on any remediation requirements. The Committee receives regular confirmation that the Internal Audit function is appropriately resourced and has sufficient expertise to fulfil its role. A 2021 External Quality Assessment of internal audit, conducted by Ernst & Young, concluded that the function benchmarked well against industry peers.

External Audit

Appointment and tenure	Deloitte LLP has been the Group's external auditor for 10 years. The Group's policy is to undertake a formal tender process for the position of external auditor at least every 10 years; this was conducted in 2020 and Deloitte LLP was selected by the selection panel. The Committee has the authority to commission a formal tender process at any time it decides this may be in the Group's best interest. At the Committee meeting in March 2023, the Committee concluded that Deloitte LLP continued to perform in line with expectations and remained independent of the Group. Deloitte LLP's reappointment will be proposed to shareholders at the 2023 AGM.
Effectiveness	The Committee held private sessions with the external auditor three times during the year. The Committee schedules the private sessions on an alternating basis to ensure the Committee meets with both the internal and external auditor in the absence of executive directors or senior management. This facilitates the ability of the external auditor to raise any issues of concern. In addition to this, the Chair of the Committee meets with the external audit partner quarterly and additional meetings or private sessions are available upon request. The annual assessment of the external auditor requires the feedback of the Committee and Group and Divisional Heads of Finance. The scores and feedback are shared with the external auditor and an action plan to address remediation needs is developed. The main remediation need identified in relation to the 2021 audit was the need to allow sufficient time for testing and management response ahead of deadlines, though the overall conclusion was that Deloitte LLP remained effective. The FRC conducted an inspection of the 2021 financial statements for Vanquis Bank Limited, the results of which were published in December 2022. The report concluded that 'limited improvements' were required and all findings were addressed by Deloitte during their 2022 audit. Throughout the year, the external auditor challenged management and demonstrated professional scepticism. One notable example related to the IT controls in the vehicle finance business during the interim period before the systems upgrade; Deloitte debated with management regarding the appropriateness of interim risk acceptances.
Independence and objectivity	The Committee ensures adequate safeguards are in place to ensure the independence of the external auditor. These include: – a policy on the appointment of staff from the external auditor: engagement partners, quality review partners, other key audit partners, and senior members of the audit engagement team may not be employed as Group Finance Officer, Director, Finance Shared Services or any Divisional Finance Director; – non-audit work is subject to the policy detailed below and the non-audit team does not prepare anything which would be relied upon in the Group audit; – work performed is subject to an independent professional standards review and Engagement Quality Control Review process; – the Committee considers the reappointment of the external auditor, including the rotation of the audit partner, annually. The review considers both independence and effectiveness, primarily using a scorecard system. A new, lead Audit Partner has been in place since May 2022 and the transition period ran smoothly; and – the external auditor attests its independence and objectivity to the Committee on an annual basis.
Non-audit work	The Company has a formal policy on the use of the external auditor for non-audit work, which is reviewed annually and adheres to the EU Audit Directive and Regulations. The policy stipulates that non-audit work should only be awarded to the external auditor when there is clear reason to prefer it over alternative suppliers, following a rigorous procurement process. All awards of non-audit work to the external auditor are monitored to ensure that their independence, and perceived independence, are not compromised. The Committee must approve in advance any award of non-audit work with an aggregate value in excess of £250,000. The Chair of the Committee must approve any non-audit work with an aggregate value of £50,000-£250,000. Deloitte LLP's fees for non-audit work during the year were £0.7m (2021: £1.2m) The ratio of audit to non-audit fees was 2.4:1.

Significant issues and areas of judgement

The critical accounting assumptions and key sources of estimation uncertainty considered by the Committee in relation to the Annual Report and Financial Statements 2022 are outlined on pages 163-164. In addition to the matters set out on the next page, the Committee also considered the going concern statement set out on page 158. The Committee discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Independent Auditor's Report on pages 220 to 228.

Issue	Judgement	Actions
Impairment of amounts receivable from customers Receivables are impaired on recognition in accordance with IFRS 9. The impairment allowance is initially dependent on the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) within 12 months, discounted at the original effective interest rate (EIR). Lifetime losses are recognised following a significant increase in credit risk. The assessment of credit risk and therefore impairment allowance should be probability weighted, and should utilise all information available, including past events, current conditions and supportable forecasts of economic conditions at the reporting date. An assessment of macroeconomic factors, including the latest economic forecasts, is also required to estimate expected losses.	Judgement is applied to the impairment allowance required. This includes whether past performance provides a reasonable estimate of future losses implicit within the PD, LGD and EAD. In 2022, adjustments made in relation to the Covid-19 period have been fully unwound as the Group considers these impairment provisions to be no longer required. In addition, the Group has refreshed SICR threshold parameters in the credit cards provisioning model to better reflect the evolving receivables mix following a refocus onto lower risk market segments. In light of the higher inflationary economic environment and rising living costs, a cost of living post-model adjustment remains in place.	The Audit Committee reviews and challenges the key judgements applied throughout the year. This includes adjustments to determining significant increases in credit risk and default. Post-model adjustments are reviewed and challenged when impacting PD, LGD or EAD. The process of creating future estimates is considered with peer analysis performed. The design, implementation, and testing of new models and any associated model enhancements are reviewed and challenged. The embedding of the new IFRS 9 model monitoring control framework will be overseen by the Committee, and the required ongoing monitoring of these models together with associated controls will be reviewed and challenged. Evidence following the period end is assessed to determine if the evidence would have been available at the period end and included within the assessments. The work performed by Deloitte LLP on validating the management assumptions is considered. Findings are presented in Deloitte LLP's report to the Audit Committee which is challenged with knowledge of the latest circumstances. The work performed by Group Internal Audit is considered, in particular, on technology and operational controls.
Retirement benefit asset The valuation of the retirement benefit asset is dependent upon a series of actuarial assumptions. The key assumptions are in respect of the discount rate, inflation rates and mortality rates used to calculate the present value of future liabilities.	Judgement is applied in formulating each of the assumptions used in calculating the retirement benefit asset. This considers any adjustments made to the key judgements to ensure they remain appropriate for the Group's defined benefit pension scheme.	The Company's external actuary, Willis Towers Watson, proposes the appropriate assumptions and calculates the value of the retirement benefit asset. The Committee considers the adjustments made by management to the core assumptions proposed by the actuary. The Committee also considers the audit work performed by Deloitte LLP on the assumptions and to what extent the assumptions are within the suitable ranges of assumptions based on audit experience.

Compliance statement

The Group has fully complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the 2022 financial year.

Paul Hewitt
Audit Committee Chairman
30 March 2023

Sustainable growth through **effective risk management**

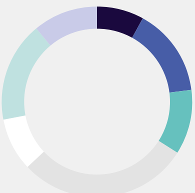
Angela Knight
Risk Committee Chair

Role of the Committee

The Committee has two primary roles: firstly, to ensure that there is an appropriate Enterprise Risk Management Framework in operation across the Group, enabling effective oversight of the Group's principal risks and its aggregated risk position; and secondly, to provide advice to the Board in relation to the Group's current and potential future risk strategies and exposures. The Committee's principal areas of responsibility are as follows:

- understanding the Board's strategy, desired culture and direction and identifying the key strategic and emerging risks which might prevent delivery;
- endorsing an overall risk appetite and recommending it to the Board for approval at least annually;
- carrying out an assessment of the principal risks facing the Group;
- monitoring the overall effectiveness of risk management across the Group and product lines as overseen by the Group CRO;
- in conjunction with the Audit Committee, reviewing the Group's capability to identify and manage new risk types, and keeping under review the effectiveness of the Group's internal control and risk management systems;
- reviewing the Group's management of current and forward-looking risk exposures;
- notifying the Board of any changes in the status and control of material risks;
- reviewing the Group's management of operational resilience;
- reviewing and approving the Group's ICAAP, ILAAP and Group liquidity assessment, including the stress testing and capital allocation approach; and
- continuous improvement of risk outcomes for the Group through effective risk management planning.

Allocation of time



Top of mind, principal and emerging risks	8%
Credit risk focus	15%
Risk appetite, framework, policy and harmonisation	11%
Regulatory and prudential risk reporting	29%
Risk management effectiveness	9%
Compliance and conduct	17%
Governance and remuneration	11%

"The Committee has been focused on improving the risk profile of the Group overall, with particular attention given to the principal risks. The embedding of expertise in our Risk function has bolstered our frameworks and enabled the Committee to continue its work overseeing the delivery of the Group strategy in a considered and well-controlled manner.

Angela Knight
Risk Committee Chair

I am pleased to report that the Group's overall risk profile has improved throughout the year with several activities contributing to this aggregate position.

As part of the strategic transformation from a legacy divisional structure to a Group structured around product lines and shared services, the Group and Vanquis Bank Risk Committees were combined. The Committee membership has remained consistent with me as Chair and two other non-executive director members, Elizabeth Chambers and Paul Hewitt, who is Chair of the Audit Committee. The biographies of all members, which contain information on their qualifications, are available on pages 71 to 73 and committee attendance is on page 91. I am also a member of the Audit Committee and work with Paul Hewitt to coordinate the work of both Committees. The Committee has increased both the frequency and duration of its meetings during the year and expanded its schedule to accommodate an increased focus on current and emerging risks.

The Committee reviews the Chief Risk Officer's (CRO's) Report at each meeting to facilitate discussion of the top of mind risks (top down strategic and emerging risks), the principal risks (bottom up all encompassing risks), and the Group's position against its risk appetite and compliance and regulatory matters. The CRO Report also informs the Committee of the second line's oversight and challenge of first line operations and the CRO provides an annual assessment of the effectiveness of risk management. This year the Committee has received an additional interim assessment of risk management effectiveness which provided us with a helpful mid-year check point.

The Committee's terms of reference are available at:
www.vanquisbankinggroup.com

At each meeting the Committee has:

- reviewed and assessed the overall risk management status of the Group;
- reviewed and assessed the Group's top of mind risks and key risk priorities;
- reviewed and assessed the Group's principal risks;
- reviewed and confirmed the risk appetite status across the Group; and
- reviewed the minutes and actions from previous meetings.

Key areas of focus

Credit risk

Responding to the volatile macroeconomic environment during the year, the Committee has requested and received more frequent and detailed credit risk reports. The Committee requested the inclusion of concentration risk dashboards and oversaw the broadened monitoring of potential areas of financial stress for customers. The Chief Credit Officer attends the Committee and provides updates on the portfolio performance, stability and customer behaviours. Uncertainty in the macroeconomic environment dictates that we will continue to monitor very closely the impact of rising interest rates and other financial pressures on our customers.

IT change transformation

The Board has committed to transform the Group's IT infrastructure to deliver the future strategy and desired operating model. The Committee has played a key role in challenging management to ensure it has identified, considered and addressed the risks presented by the IT change programme. The Committee has invited the Chief Information Officer to be a standing attendee and has received a report regarding the IT strategy, transformation, and associated risk management activity at each meeting. The Committee has provided guidance and approval to management in support of its proposals to balance risk management on legacy systems in order to optimise investment of resources, both time and money, into the new infrastructure, Gateway. You can read more about the Group's investment in its technological capabilities for sustainable growth on page 9.

The Committee has overseen the continued progress of the first line control programme initiated in Vanquis Bank and now extended to all of the Group. To date the programme has defined 300+ controls, 93% of which have been designed and 73% of which have been implemented. All have contributed to strengthening our control environment.

Prudential risk

I am pleased to recognise the considerable efforts that have gone into enhancing our prudential regulatory documents. The ICAAP received significant focus in 2021 and 2022 which delivered improvements to methodology and addressed the simplification and improved risk profile of the Group. The Committee reconsidered the ICAAP in May 2022 to approve the summary narrative and reaffirm the calculations and assumptions ahead of recommending it to the Board for approval and its submission to the FCA and PRA.

On 8 March 2023 the Group announced an update about our capital requirements from the PRA, following conclusion of its Capital Supervisory Review and Evaluation Process. The outcome was a reduction in the Group's Total Capital Requirement by more than a third, from 18.3% to 11.9%. I am delighted that our efforts to reposition the Group and strengthen the Group-wide risk management framework have strongly contributed to this outcome. I would like to thank the Treasury and Risk teams for their hard work and dedication in helping us achieve this positive result.

Following on from the enhanced ICAAP, the ILAAP has been subjected to a detailed root and branch review during 2022 and was approved by the Committee, for onward recommendation to the Board, in December 2022. The Committee commissioned expert independent advice to provide further assurance over the methodological changes.

In November 2022 the PRA approved the Group's application for a Core UK Group waiver. The Committee dedicated significant time to carefully consider the liquidity risks that might arise from the arrangement and to ensure each entity was appropriately resourced and well run to honour the arrangements. The Committee also approved the associated intra-group funding and lending framework.

Consumer Duty

The Committee has overseen the submission of the Group's implementation plan to the FCA for the Consumer Duty Regulation. Sponsored by the CRO, a Consumer Duty programme has been established to support the Group's work to analyse, plan and implement the requirements of the Consumer Duty Regulation. The Committee completed a deep dive review of the regulation and its consequences for the Group, and has been consulted on the programme's governance arrangements and establishing the accountable SMF. The Committee has received regular updates from the programme, which has so far completed an in-depth gap analysis of the Group's current position against the regulation in order to develop the implementation plan, and established a Steering Committee and a number of workstreams: Product and Service, Price and Value, Consumer Understanding, and Consumer Support. The Consumer Duty programme will now move to implement the activities that were committed to in our implementation plan, in order to embed the Consumer Duty principles throughout 2023. The Committee will continue to closely monitor its progress.

Risk harmonisation

The Committee has overseen significant progress on the Risk Harmonisation Programme. All legacy frameworks have been consolidated into one single Enterprise Risk Management Framework to ensure a consistent application of best practice, and enabled by a centralised Risk function.

An automated Risk Management System was implemented with modules for Risk Appetite, Risk Events, Risk and Control Self-Assessment (RCSA) and Internal Audit activated during the year. Additional modules for Compliance and Regulatory, Model Risk and Third-Party Supplier management are planned for 2023. This technology ensures a secure and single central repository of risk information and will provide improved reporting and insight capability.

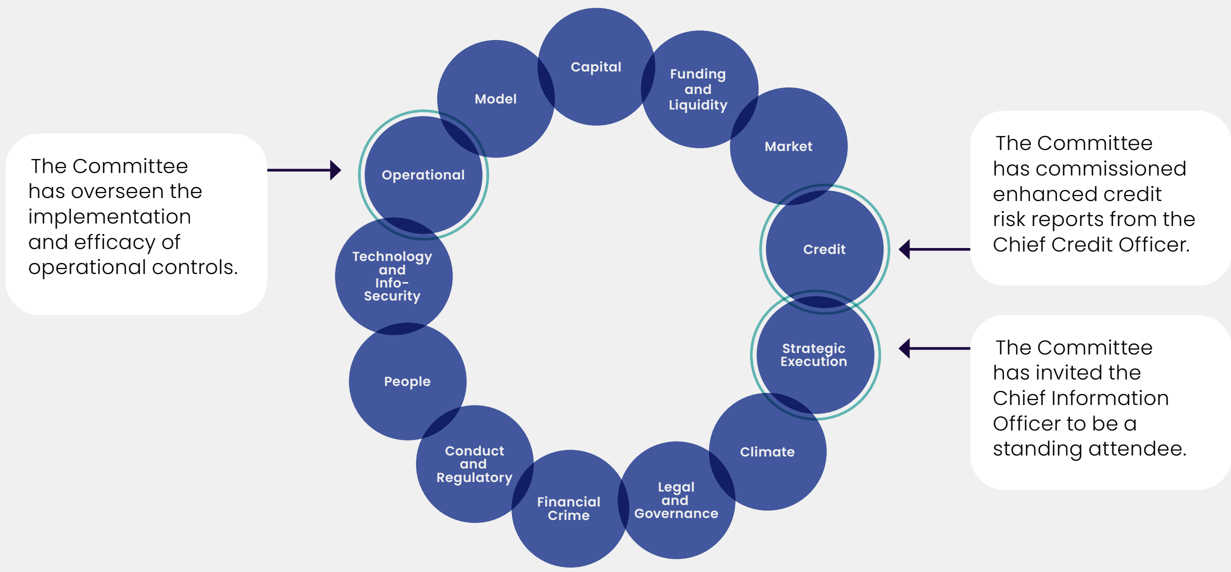
The Committee has overseen the continued development of the Group's Risk Appetite Framework to reflect the changes to organisational structure driven by the strategic transformation. The Committee receives comprehensive risk appetite data with detailed plans regarding any route-to-green activity for metrics that are not within appetite.

Looking forward, uncertainty in the macroeconomic environment dictates that we will continue to monitor very closely the impact of rising interest rates and other financial pressures on our customers throughout 2023. The continuation of our IT transformation means that execution risk and IT and information security risk will be a central focus of the Committee, alongside the associated risk acceptances which we will address as the new infrastructure is introduced and there is decreased reliance on legacy systems.

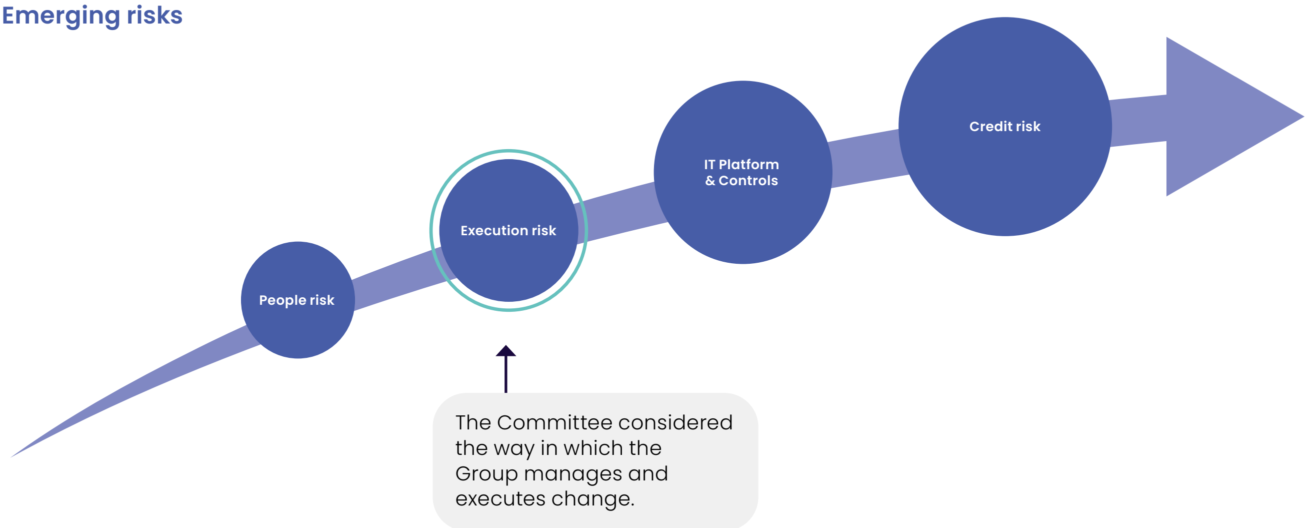
Principal and emerging risks

The Committee is responsible for assessing the principal and emerging risks to the Group. The CRO reports at each meeting on principal and emerging risks and the Committee considers these and any other risks that may impact on the Group's strategy and operations and assesses its aggregated risk profile. You can read more about how we identify and manage risks in the risk management and principal risk section of our Strategic Report on pages 54 to 66.

Principal risks



Emerging risks



Opportunities

Our Risk Management Framework and Risk Appetite Framework (RAF) establishes our appetite for risk and provides direction on the appropriate risk taking across the Group. We have processes and procedures to ensure that any risk taking activity beyond our appetite is recognised, escalated and addressed appropriately. The Committee assessed the Risk Appetite Framework in December 2022 ensuring that it remained appropriate to the risk strategy and profile of the Group. The Committee approved recommendations by management to refine some of the RAF metrics to reflect the evolution of the Group across the year and the increased sophistication of our ability to assess risk. In addition to reporting on execution risk and strategic risk, the second line monitors in-flight strategic programmes. This allows the Committee to constructively challenge management's implementation and helps identify execution risks at an early stage. For further details regarding the principal and emerging risk assessment, full details of the Risk Appetite Framework and those principal and emerging risks the Board is willing to take in order to achieve its long-term strategic objectives, please see pages 54 to 66.

Committee review of internal risk management and controls

In accordance with the 2018 UK Corporate Governance Code Principle O, the Board has a responsibility to establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Provision 29 requires the Board to monitor the Company's risk management and internal control systems.

Following a detailed review by the Committee, the directors can confirm that the Group's key risks have been robustly assessed and are effectively controlled. 2022 was a year of continued improvement in terms of the Group's overall risk profile. In reaching this conclusion, the Risk Committee assessed the following criteria:

- a comparison between the Group's net risk profile and positioning on both 1 January 2022 and 2023, indicating an improvement year-on-year;
- management of 'top of mind' risks including credit risk related to the cost of living crisis, strategic execution risk, technology and change, and our preparedness to meet new conduct regulation (Consumer Duty);
- performance of the Risk function against its objectives as agreed and assessed by the Remuneration Committee;
- an assessment of the implementation and embedding of the Risk Harmonisation Programme to ensure consistent application of best practices;
- key strategic decisions taken and executed in 2022 which alter the risk profile of the Group, including the change in structure and centralisation of shared services, the wind-down of CCD and the introduction of open market loans;
- an assessment of our relationships with our regulators, which demonstrates a multi-year improvement; and
- other key indicators such as the reduction in open and overdue audit actions, engagement with risk awareness activities and enhanced risk awareness within first line management.

The Committee appreciates that the embedding of a risk-aware culture is a continual and iterative process. With this in mind the Committee priorities to further enhance the Group's control environment during 2023 are set out in the table below.

Angela Knight
Risk Committee Chair
30 March 2023

Committee activities in 2022	Committee priorities in 2023
– Oversaw the Risk Harmonisation Programme, including the implementation of the Group-wide Riskonnect risk system. – Monitored the Group's strategic and emerging risks. – Approved the ICAAP, ILAAP and Pillar 3 Disclosures, for onward recommendation to the Board. – Provided an attestation in support of Core UK Group waiver application. – Performed enhanced monitoring of credit risk change in light of changes to the macroeconomic environment. – Reviewed the principal risks, internal control and committee reports within the 2021 Annual Report and Financial Statements. – Reviewed and approved the Group Lending Framework, including the stress testing and capital allocation approach. – Recommended to the Board the Consumer Duty of Care implementation plan. – Received the CRO's assessment of the executive directors' non-financial scorecard for 2021. – Confirmed the effectiveness of the annual Group Risk Management Framework following an internal review by management. – Reviewed the Group MLRO Report. – Monitored in detail complaints performance across the Group and oversaw resulting operational and process changes. – Monitored IT resilience across the Group and the progress of the IT transformation plan via regular reporting from the Group Chief Information Officer (CIO). – Oversaw model governance and model validation results. – Received regular data protection performance reports and action plan updates. – Approved the Compliance Monitoring Plan. – Approved the Committee's revised terms of reference (ToR) and forward agenda planner.	– Oversee the embedding of the Risk Harmonisation Programme supporting the transfer of accountability for risk management into the first line. – Closely monitor the Group's 'top of mind' risks. – Oversee execution of the Group's Consumer Duty of Care implementation plan. – Oversee IT strategic transformation execution and the delivery of controls in the new IT infrastructure.

Our responsibilities **as a listed business**

Melanie Barnett
General Counsel and Company Secretary

In accordance with section 414C(11) of the Companies Act 2006, the directors present their report for the year ended 31 December 2022. Information relevant to the Directors' Report that has been covered in the Strategic Report has been listed below alongside its location. Both the Strategic Report and the Directors' Report have been prepared and presented in accordance with, and in reliance upon, applicable company law. The liabilities of the directors in connection with both the Directors' Report and the Strategic Report shall be subject to the limitations and restrictions provided by company law.

Other statutory information (including that required by Listing Rule 9.8.4R)

Agreements with controlling shareholders	Not applicable
Contracts of significance	215
Details of long-term incentive schemes	131 to 132
Directors indemnities	113
Dividends	114
Engagement with employees	82 and 83
How we had regard to suppliers, customers and others in a business relationship with the Group	82 to 85
Events post balance sheet date	2022: throughout and 167
Risk management including principal risks	54 to 66
Future business developments	18-25
Going concern and viability statement	67
Greenhouse gas emissions, energy consumption and efficiency	48
Interest capitalised	Not applicable
Item (7) in relation to major subsidiary undertakings	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
No political donations	116
Parent participation in a placing by a listed subsidiary	Not applicable
Provision of services by a controlling shareholder	Not applicable
Publication of unaudited financial information	Not applicable
Purchase of own shares	Not applicable
Research and development	116 and 192
Share capital – structure, voting and other rights	113
Share capital – employee share plan voting rights	113
Shareholder waivers of dividends	132
Shareholder waivers of future dividends	132
Waiver of emoluments by a director	132
Waiver of future emoluments by a director	132

Articles of association

The directors' powers are conferred on them by UK legislation and by the articles of association. Changes to the articles of association must be approved by shareholders passing a special resolution and must comply with the provisions of the Companies Act and the FCA's Disclosure Guidance and Transparency Rules.

Corporate governance statement

The Company was fully compliant with all the provisions of the 2018 UK Corporate Governance Code (the Code) throughout 2022.

The Group's Corporate Governance Report is set out on pages 68 to 118.

Directors

The membership of the Board and biographical details of the directors at the year end are given on pages 71 to 73 and are incorporated into this report by reference. Commentary about the Board's composition and Board tenure can be found on page 90 to 91.

All directors were present throughout 2022 and up to the date of signing the Annual Report and Financial Statements 2022, other than Michele Greene who joined the Board on 9 March 2023 and Robert East who resigned from the Company on 13 January 2022.

Appointment and replacement of directors

Rules about the appointment and replacement of directors are set out in the Company's articles of association. In accordance with the recommendations of the Code, all directors will offer themselves for appointment or reappointment, as appropriate, at the 2023 AGM. As announced on 26 January 2023, Malcolm Le May will step down when Ian McLaughlin joins the Group in the Summer of 2023.

Directors' indemnities

The articles of association permit the Company to indemnify directors of the Company (or of any associated company) in accordance with section 234 of the Companies Act.

The Company may fund expenditure incurred by directors in defending proceedings against them. If such funding is by means of a loan, the director must repay the loan to the Company, if they are convicted in any criminal proceedings or judgment is given against them in any civil proceedings. The Company may indemnify any director of the Company or of any associated company against any liability.

However, the Company may not provide an indemnity against:

1. any liability incurred by the director to the Company or to any associated company;
2. any liability incurred by the director to pay a criminal or regulatory penalty;
3. any liability incurred by the director in defending criminal proceedings in which they are convicted;
4. any liability incurred by the director in defending any civil proceedings brought by the Company (or an associated company) in which judgment is given against them; or
5. in connection with certain court applications under the Companies Act, no indemnity was provided and no payments pursuant to these provisions were made in 2022 or at any time up to the date of this report.

There were no other qualifying indemnities in place during this period.

The Company maintains both a deed of indemnity in favour of the directors and directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors.

Directors' powers

Subject to the articles of association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board. The directors currently have powers in relation to the issuing and buying back of the Company's shares, which were granted by shareholders at the 2022 AGM. The Board is seeking renewal of these powers at the 2023 AGM.

Conflicts of interest

The Companies Act and the articles of association require the Board to consider any potential conflicts of interest of its members.

The Board has a formal policy and operates formal procedures regarding conflicts of interest in order to identify and manage conflicts and to maintain independent judgement. All members of the Board have completed conflict of interest forms which are reviewed annually. All directors have an ongoing duty to notify the Company of any changes and to ensure that appropriate authorisation is sought where required and are required to renew and confirm their external interests annually.

The Board (excluding the director concerned) considers and, if appropriate, authorises each director's reported actual and potential conflict of interest, taking into consideration what is in the best interests of the Company and whether the director's ability to act in accordance with his or her duties is affected. The Board will refer to the Conflict of Interest Policy for the most appropriate mitigating control.

Records and Board minutes of all authorisations granted by the Board and the scope of any approvals given are held and maintained by the Company Secretary.

Share capital

The Company's issued ordinary share capital comprises a single class of ordinary shares. The rights attached to the ordinary shares are set out in the articles of association. Each share carries the right to one vote at general meetings of the Company. No new shares were issued to satisfy awards made under the Long Term Incentive Scheme 2015 (LTIS), the Restricted Share Plan (RSP) or Deferred Bonus Plan (DBP). 140,448 shares were issued during the year to satisfy exercises of options under the Provident Financial Savings-Related Share Option Scheme 2013.

Rights of ordinary shares

All of the Company's issued ordinary shares are fully paid up and rank equally in all respects and there are no special rights with regard to control of the Company. The rights attached to them, in addition to those conferred on their holders by law, are set out in the articles of association. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except:

1. where the Company has exercised its right to suspend its voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act; or
2. where their holder is precluded from exercising voting rights by the FCA's Listing Rules or the City Code on Takeovers and Mergers.

Directors' interests in shares

The below interests include those held by connected persons.

Between 31 December 2022 and the 14 March 2023, being the latest practicable date prior to publication, there have been the following changes to the directors' interests:

– on 3 January 2023, Malcolm Le May received 7,559 shares under the role-based Allowance.

Malcolm Le May's interest in shares as at 14 March 2023 is 1,138,553.

	Number of shares	
	31 December 2022	31 December 2021
Malcolm Le May	1,137,332	942,231
Neeraj Kapur	689,299	400,838
Patrick Snowball	96,477	96,477
Andrea Blance	–	–
Elizabeth Chambers	12,000	12,000
Robert East[1]	5,000[2]	5,000
Paul Hewitt	34,205	34,205
Margot James	–	–
Angela Knight	–	–
Graham Lindsay	9,771	9,771
Michele Greene[3]	–	–

1 Robert East resigned on 13 January 2022.
2 Holdings as at resignation date, 13 January 2022.
3 Michele Greene joined on 9 March 2023.

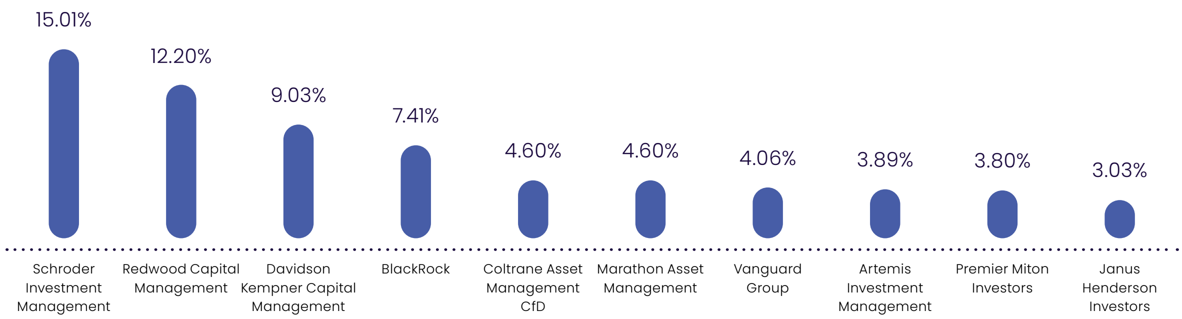
Dividend waiver

Information on dividend waivers currently in place can be found on page 132.

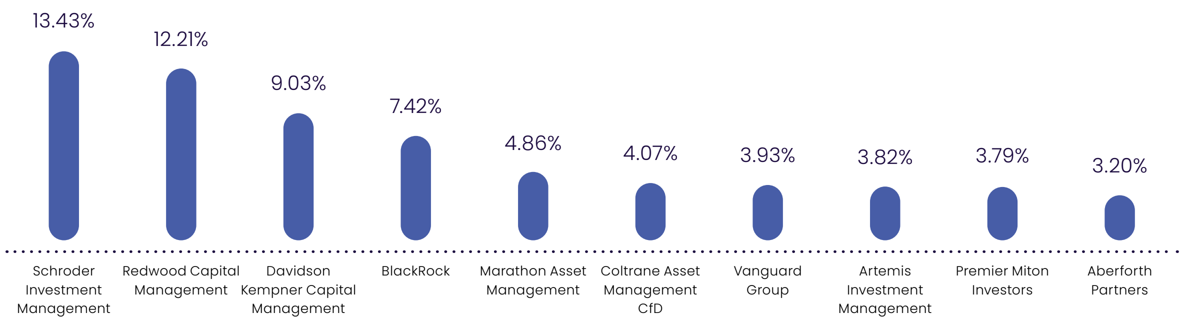
Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules (DTR 5) the Company, as at 14 March 2023 (being the latest practicable date prior to publication of this report), had been notified that the following persons hold directly or indirectly 3% or more of the voting rights of the Company.

Interests as at 14 March 2023 Holders (descending %)



Interests as at 31 December 2022 Holders (descending %)



All interests disclosed to the Company in accordance with DTR 5 that have occurred since 14 March 2023 can be found on the Group's website: www.vanquisbankinggroup.com.

Profit and dividends

The continuing operations profit before taxation, amortisation of acquisition intangibles and exceptional items amounts to £126.6m (2021: profit of £167.8m).

As at the date of this report, the directors have declared dividends as follows:

Ordinary shares (p per share)	
Interim dividend	
2022 (paid on 22 September 2022)	5p
2021 (paid on 20 May 2022)	12p
Proposed final dividend	
2022 (proposed to be paid on 7 June 2023)	10.3p
2021	£nil
Total ordinary dividend	
2022	15.3p
2021	12p

All-employee share schemes

The current schemes for employees resident in the UK are the Provident Financial Savings-Related Share Option Scheme 2022 (SAYE) and the Provident Financial Share Incentive Plan 2022 (SIP). The plan rules will be updated to reflect the change of Company name to Vanquis Banking Group plc in due course.

Share schemes are a long-established and successful part of the total reward package offered by the Company, encouraging and supporting employee share ownership. The Company's schemes aim to encourage employees' involvement and interest in the financial performance and success of the Group through share ownership.

The Company's SIP offers employees the opportunity to further invest in the Company and to benefit from the Company's offer to match that investment on the basis of one matching share for every four partnership shares purchased.

Scheme title	Total participants as at 31 December 2022	Total participants as at 31 December 2021
SAYE	528	864
SIP	147	139

Executive share incentive schemes

Awards are also outstanding under the RSP and DBP. DBP awards were granted during the year on 7 April 2022. RSP and CSOP options were granted under the RSP on 7 and 26 April 2022. Further information is set out on page 131 and 132.

Shares were awarded to the CEO under the role-based allowance (RBA). Further information is set out on page 133.

Provident Financial plc 2007 Employee Benefit Trust (EBT)

The EBT, a discretionary trust for the benefit of executive directors and employees, was established in 2007. The trustee, SG Kleinwort Hambros Trust (CI) Limited, is not a subsidiary of the Company. The EBT operates in conjunction with the LTIS, RSP, RBA and DBP and either purchases shares in the market or subscribes for the issue of new shares. The EBT is funded by loans from the Company which are then used to acquire, either via market purchase or subscription, ordinary shares to satisfy awards granted under the LTIS, RSP and DBP. Funds are used to acquire shares by way of market purchase for the RBA. For the purpose of the financial statements, the EBT is consolidated into the Company and Group. As a consequence, the loans are eliminated and the cost of the shares acquired is deducted from equity as set out in note 30 on page 211 of the financial statements.

In 2022, the EBT agreed to satisfy awards made under the RSP and CSOP options under the RSP in relation to 2,376,546 shares in the Company. In 2022, the EBT also agreed to satisfy buyout award agreements in relation to 8,880 shares in the Company and to satisfy an award under the RBA of 28,433 shares in the Company by way of market purchase.

As at 31 December 2022, the EBT held the non-beneficial interest in 2,946,015 shares in the Company (2021: 2,864,456). The EBT may exercise or refrain from exercising any voting rights in its absolute discretion and is not obliged to exercise such voting rights in a manner requested by the beneficiaries.

Provident Financial Employee Benefit Trust (the PF Trust)

The PF Trust, a discretionary trust for the benefit of executive directors and employees, was established in 2003 and operated in conjunction with the PSP. The trustee, Provident Financial Trustees (Performance Share Plan) Limited, is a subsidiary of the Company. The PF Trust has not been operated with the Performance Share Plan since 2012, when the previous PSP expired. As at 31 December 2022, the PF Trust had no interest in any shares in the Company (2021: nil).

Provident BAYE Trust (the BAYE Trust)

Administration of the Group's share plans has transitioned in the year from YBS to Equiniti. The Provident BAYE Trust is a discretionary trust which was established in 2013 to operate in conjunction with the SIP. On 30 November 2022 YBS Trustee was retired and Equiniti Share Plan Trustee was appointed. Neither are subsidiaries of the Company. The BAYE Trust is funded by loans from the Company which are then used to acquire ordinary shares via market purchase to satisfy the Matching Awards for participants of the SIP.

For the purposes of the financial statements, the BAYE Trust is consolidated into the Company and Group. Participants in the SIP can direct the trustee on how to exercise its voting rights in respect of the shares it holds on behalf of the participant. As at 31 December 2022, the BAYE Trust held the non-beneficial interest in 196,535 shares (2021: 211,894 shares).

Colleague engagement and investing in our workforce

We invest in our colleagues through recognition, reward, development, wellbeing, the working environment and culture. Colleagues are recognised through our 'Better Everyday' recognition platform and our 'Perks at Work' scheme, which offers colleagues in-store and online rewards and discounts, online training courses and mental wellbeing courses.

We have a Group Reward Framework that enables clear career progression and movement around the Group. We have established mechanisms for colleague engagement including appointing a Designated Non-Executive Colleague Champion.

Information relevant to how we invest in our colleagues and where it can be found:

Information	Location
Reward and recognition	137
Learning and development – management programmes, apprenticeships, mandatory e-learning and mentoring	39 and 81
Culture – equal opportunities, gender diversity, other diversity and inclusion and Colleague Survey results	39 and 81
Health and wellbeing – support and initiatives	81
Engagement – internal communication, Colleague Survey, Workforce Panels and Designated Non-Executive Colleague Champion	80 to 82 and 86

Equal opportunities and diversity

The Group is committed to employment policies which follow best practice, based on equal opportunities for all colleagues irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment, religion or belief. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group including making reasonable adjustments where required. If a member of staff becomes disabled, every effort is made by the Group to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Pensions

The Group operates two pension schemes in the UK.

Employee involvement in the Group defined benefit pension scheme is achieved by the appointment of member-nominated trustees and by regular newsletters and communications from the trustees to members. In addition, there is a website dedicated to pension matters. The trustees manage the assets of the defined benefit pension scheme which are held under trust separately from the assets of the Group. Each trustee is encouraged to undertake training and regular training sessions on current issues are carried out at meetings of the trustees by the trustees' advisors. The training schedule is based on The Pensions Regulator's Trustee Knowledge and Understanding requirements. The trustees have a business plan and, at the start of each year, review performance against the plan and objectives from the previous year. In addition, they agree objectives and a budget for the current year.

Pensions continued

The trustees have a risk register and an associated action plan and a Conflicts of Interest Policy, both of which are reviewed at least annually.

As at the year end there were three trustees nominated by members and four trustees appointed by the Company.

The trustees have implemented a de-risking investment strategy which has been agreed with the Company. The objective of the strategy is to reduce the risk that the assets would be insufficient in the future to meet the liabilities of the scheme. The de-risking investment strategy is kept under close review by both the trustees and the Company.

The Company has put Pension Trustee Indemnity Insurance in place to cover all the Group's pension schemes where individuals act as trustees. The trustees are also protected by an indemnity within each scheme's rules and this insurance effectively protects the Group against the cost of potential claims impacting on the solvency of the pension schemes.

The Group operates a Group Personal Pension Plan for employees who joined the Group from 1 January 2003 and a Group Personal Pension Plan for employees of Moneybarn who joined the Group from 1 January 2003. Employees in both these plans have access to websites which provide information about their funds and general information about the plans.

Compliance

The Risk and Audit Committees oversee compliance and work together to review the systems and controls for the prevention of bribery. Compliance is also monitored by the Divisional Boards.

Health and safety

The Group is committed to achieving high standards of health and safety in relation to all of its colleagues, those affected by its business activities and those attending its premises.

During 2022, an ambitious health and safety strategy was implemented to develop new Group-wide H&S policies and procedures, while building on a strong record of delivery and performance.

Mandatory H&S training has been refreshed to equip colleagues with a robust awareness of the H&S risks posed in an ever-changing workplace, whether office or hybrid working, along with strategies to mitigate that risk.

Accident and reporting statistics remain a key performance indicator and area of focus. During the year there were no RIDDOR reportable events.

Anti-bribery and corruption

The Group has a policy on anti-bribery and corruption which reflects the requirements of the Bribery Act 2010 (the Policy).

The Policy sets out the Group's zero-tolerance approach to bribery and corruption and its commitment to acting professionally, fairly and with integrity in all its business dealings and relationships, wherever it operates, and implementing and enforcing effective systems and controls to counter bribery, corruption and other financial crimes.

The Policy applies to all employees, contractors and directors in relation to the business activities undertaken by, or on behalf of, the Group. It also applies to any third party which is undertaking business for or on behalf of the Group, which must comply with the Policy or maintain equivalent standards and safeguards to prevent bribery and corruption.

Under the Policy, all employees, contractors, directors and relevant third parties of the Group and its divisions must comply with the following minimum requirements:

- they must not directly or indirectly engage in bribery or corruption in any form; and
- they also must not accept, solicit, agree to receive, promise, offer or give a bribe, or facilitate payment, kickback or other improper payment.

The Policy also states that if an employee, contractor, director or relevant third party of the Group or its divisions becomes aware of a breach of the above minimum requirements they must immediately comply with applicable protocols and procedures to inform an appropriate person within the Group who must as soon as is reasonably practicable report the incident to the Deputy Company Secretary.

The Group provides anti-bribery and corruption training to all colleagues.

Related policies

Gifts and Corporate Hospitality Policy

The Group has a Corporate Hospitality Policy which sets out the Group's requirements for the review, approval and documentation of any gifts or corporate hospitality which are accepted, offered or provided. The Risk Committee oversees the Gifts and Corporate Hospitality Policy.

Whistleblowing Policy

The Group has a Whistleblowing Policy which is overseen by the Board. The Group is committed to fostering a culture of openness, honesty and accountability and requires the highest possible standards of professional and ethical conduct.

A Group Whistleblowing Forum is in place which oversees whistleblowing investigations, reviews management information and takes the opportunity to consider any concerns regarding persistent trends and shares best practice.

Should any Group colleagues have any concerns relating to anti-bribery and corruption or corporate hospitality then anonymous concerns can be raised through the Group's external third-party helpline facility as detailed in the Group Whistleblowing Policy. Whistleblowing arrangements are overseen by the Board.

The Group provides whistleblowing training to all colleagues.

Overseas branches

The Group has no overseas branches.

Political donations

The Group made no political donations nor incurred any political expenditure during the year.

Research and development

The Group's research and development activities have predominantly related to systems and applications for the credit cards and personal loans businesses as set out in note 19 on page 192 of the financial statements.

Environment and greenhouse gas emissions

The Group's greenhouse gas (GHG) and energy use reporting is undertaken in accordance with our obligations under both The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. These emissions are reported in accordance with WRI/WBCSD GHG Protocol. We use a financial control approach to account for our GHG emissions and use emission conversion factors from Defra/DECC's GHG Conversion Factors for Company Reporting 2020. Our GHG emissions are calculated using energy use data accessed via meters and energy suppliers, and from records of fuel use, business travel bookings and waste management data; see our Sustainability Report for more information.

The Group's total GHG emissions, in tonnes of CO_2 equivalent (CO_2e), along with details of our energy use and an intensity ratio, are reported in the table on page 48. Corporate Citizenship has provided limited level ISAE 3000 (Revised) assurance in respect of this data. Its full, independent assurance statement is available online at: www.vanquisbankinggroup.com/sustainability. Where challenges have occurred in obtaining data, estimates have been used and assured by Corporate Citizenship.

The Group's Climate Risk Committee, which is chaired by Gareth Cronin, the Group Chief Risk Officer, and includes senior representatives from functions such as Finance, Risk, Operations and Sustainability, has been established to help the business to assess, manage and report material climate-related risks and opportunities, and ensure that we continue to meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Details on the progress the Group has made during 2022 in meeting the TCFD recommendations are set out on pages 40 to 49. In December 2022, the Group gained a Carbon Disclosure Project (CDP) rating of B- (2021: B-) for our climate change risk management efforts throughout the year.

To help us to manage and reduce our wider impacts on the environment the Group continues to have in place an environmental management system (EMS). Our EMS helps us to identify, assess and reduce key environmental risks and impacts; set and deliver against environmental targets; and ensure our legal compliance. This EMS is independently audited each year against the requirements of the international management standard ISO 14001:2015. Following the environmental audits carried out in 2022, all the Group's business premises in Bradford, London, Chatham in Kent and Petersfield in Hampshire were re-certified to comply with the international standard ISO 14001:2015. The ongoing functioning of the EMS is overseen by the Environmental Working Groups that are in place across the Group.

Important events since the end of the financial year (31 December 2022)

On 26 January 2023 the Group announced its decision to change its name to Vanquis Banking Group plc. On the same day it also announced that Malcolm Le May had decided to step down as CEO; that Ian McLaughlin had been appointed as CEO, subject to regulatory approval; and that it had launched a pilot phase for a new secured product of second charge mortgages. On 8 March 2023 the Company announced an update on its Capital Requirement and on 9 March 2023 the Company appointed Michele Greene as a Non-Executive Director. You can read more about these changes in our Chairman's Statement on page 6 and 7, and throughout our Strategic Report.

Financial instruments

Details of the financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, liquidity risk, and market risk are included on pages 165 to 168 of the financial statements.

Significant agreements

There are no agreements between any Group company and any of its employees or any director of any Group company which provide for compensation to be paid to an employee or a director on termination of employment or for loss of office as a consequence of a takeover of the Company.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The directors are also required by the FCA's Disclosure Guidance and Transparency Rules (DTR) to include a management report containing a fair review of the business of the Group and the Company and a description of the principal risks, emerging risks and uncertainties facing the Group and Company.

The Directors' Report and the Strategic Report constitute the management report for the purposes of DTR 4.1.5R and DTR 4.1.8R. The directors are responsible for keeping proper accounting records that are sufficient to:

- show and explain the Company's transactions;
- disclose with reasonable accuracy at any time the financial position of the Company and Group; and
- enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report and Financial Statements 2022 will be published on the Group's website in addition to the normal paper version.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with relevant IFRS, IFRIC interpretations and the Companies Act 2006.

The directors who held office during the financial year and to the date of this report were as follows:

Patrick Snowball	Chairman
Malcolm Le May	Chief Executive Officer
Neeraj Kapur	Chief Finance Officer
Andrea Blance	Senior Independent Director
Angela Knight	Independent Non-Executive Director
Elizabeth Chambers	Independent Non-Executive Director
Margot James	Independent Non-Executive Director
Paul Hewitt	Independent Non-Executive Director
Graham Lindsay	Independent Non-Executive Director
Michele Greene	Independent Non-Executive Director Appointed on 9 March 2023
Robert East	Independent Non-Executive Director Resigned on 13 January 2022

Disclosure of information to auditor

In accordance with section 418 of the Act, each person who is a director as at the date of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's external auditor is unaware; and
- they have taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's external auditor is aware of that information.

Auditor

Deloitte LLP, the external auditor for the Company, was first appointed in 2012 and, following a tender process in 2020, a resolution proposing its reappointment was passed at the 2022 AGM. The reappointment of Deloitte LLP as the Company's external auditor is proposed at the 2023 AGM.

2023 AGM

The 2023 AGM will be held at the offices of Clifford Chance, 10 Upper Bank Street, London, E14 5JJ on 25 May 2023 at 11.30am. The Notice of AGM, together with an explanation of the items of business, will be contained in the circular to shareholders dated 30 March 2023 and is available on our website, www.vanquisbankinggroup.com.

Approved by the Board on 30 March 2023 and signed by order of the Board.

Melanie Barnett
General Counsel and Company Secretary

Ensuring remuneration delivers the right reward **outcomes across the Group**

Andrea Blance
Remuneration Committee Chair

Committee members (attendance)

Andrea Blance (Chair) (5/5 plus 1/1 ad hoc)

Margot James (5/5 plus 1/1 ad hoc)

Graham Lindsay (5/5 plus 1/1 ad hoc)

The Chairman, the Group Chief Executive Officer (CEO), the Chief People Officer (CPO), the Group Reward Director and the Committee's independent advisor (PwC) attend Committee meetings by invitation. No person is in attendance when their own remuneration is being discussed.

> Throughout 2022, the Committee has focused on ensuring that our remuneration policies are applied consistently and fairly to all colleagues.

Andrea Blance
Remuneration Committee Chair

The report complies with the provisions of the Companies Act, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the FCA. The Company also follows the requirements of the UK Corporate Governance Code (the Code) updated in July 2018.

On behalf of the Board, and as the Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report (DRR) for the year ended 31 December 2022. The report sets out how the Committee carried out its responsibilities during the year and our approach to remuneration in 2022 and explains the rationale for our decision making.

As part of this report, we are presenting our new Directors' Remuneration Policy (the Policy) which, if approved, will apply from the date of the 2023 AGM for up to three years. No material changes are proposed to the Policy as the Committee is confident that it remains fit for purpose and continues to support the delivery of our strategy. A summary of the proposed changes is included below, and the full Policy is set out on pages 123 to 124.

This year has been a significant one for the Group, as it has continued to deliver on its Purpose, 'to help put people on a path to a better everyday life', in what has been a challenging set of economic circumstances for all. The economic impact of the Russian invasion of Ukraine, and the continuing fallout from the Covid-19 pandemic have combined to produce a very uncertain environment, with high inflation and higher interest rates combining to create cost of living challenges for both our colleagues and our customers. By continuing to lend responsibly to customers who can't access traditional lenders, the Group helps to deliver financial inclusion and, through that, support social mobility.

In 2022 the Group completed its pivot into the mid-cost credit market, and its repositioning as a banking group, which culminated with the Group changing its name in 2023 to Vanquis Banking Group (the Group). Going forward, the combination of the Group's Social Purpose with the benefits the banking structure brings, means the Group is well positioned to deliver its vision of becoming the leading specialist bank to customers who cannot access traditional lenders.

Overall, the Group has performed well and successfully implemented the new operating model despite the challenging external environment.

The Committee has also been very mindful when making decisions to ensure fair outcomes for all colleagues taking account of experience of all stakeholders against a backdrop of ongoing economic uncertainty, such as the current inflationary environment and cost of living crisis. The decisions we have taken were based upon careful consideration of a broad range of factors and the report explains how the Committee determined remuneration outcomes in this context.

2022 Group performance

2022 was a year of significant endeavour and strong achievement. Highlights include:

- changing to a shared services operating model supporting credit cards, vehicle finance and personal loans;
- introducing our Gateway platform which supports the personal loans business, and which will be rolled out across other products in 2023;
- delivering against our cost optimisation initiatives;
- largely completed the Scheme of Arrangement (SOA) as well as being on track to liquidate our home credit business – thus removing residual risk; and
- maintaining a good working relationship with our regulators which enabled: (i) a revised cross-Group funding arrangement to be implemented; (ii) C-SREP capital adequacy review to progress; and (iii) the ICAAP process to progress.

Our financial performance remains strong and is in line with management expectations which is excellent in a year where there were significant external headwinds which were not envisaged when the business targets were set, reflected in:

- adjusted profit before tax (continuing operations), of £126.6m (£167.8m in 2021); and
- adjusted return on required equity (RORE) of 22.2% (32.3% in 2021).

Wider colleague pay

It has been another tough year for most people in the UK including our customers and our colleagues.

The economic instability generated even greater uncertainty for many of our colleagues in a world still gathering itself post the Covid-19 crisis and, as a result, the Group decided to take an active approach during 2022, to support our lower levelled colleagues (who tend to be our lower paid as well), as follows:

- 5% salary increase on 1 January 2022 – to all colleagues;
- mid-year review for approx. 17.6% of our colleagues who were (i) lower levelled, and (ii) adrift of the market due to changes throughout the year; and
- £750 winter fuel payment to over 50% of our colleagues – 100% focused on our lower levelled colleagues.

In 2023, we intend to continue our focus on our lower levelled colleagues. We have introduced a minimum salary (above the Living Wage for all) by level (and location) and actively distributed a larger percentage of our salary pool to those colleagues. The executive directors have forgone their annual salary increase in 2023 to augment the salary pool for our lower paid colleagues. The Chairman and non-executive directors have also forgone an increase in fees with the monies being redistributed in a similar manner.

In addition to the actions on base salary, our performance was strong enough to generate a staff bonus pool for 2022 which meant that all performing colleagues will be able to share in our success.

The Board is committed to ensuring there is an open dialogue with our colleagues over various decisions. The Chairs of the Remuneration and CCE Committees have discussed the Remuneration Policy and practices for executive directors with the Colleague Forum in 2022. Our long-established Colleague Forum was created to facilitate effective engagement between the Board and our wider colleague population, to encourage discussions on issues of importance and understand views and concerns of the Group. As a result of our work on a consistent reward framework (which includes a standard levelling system), we can now more clearly demonstrate the linkages (and fairness) in bonus outcomes at all levels within the Group and the cascade of metrics between all our colleagues including the executive directors.

I want to take this opportunity to thank our colleagues for their efforts in 2022 in such trying circumstances.

Executive director remuneration in 2022

Annual bonus for executive directors

The annual bonus is determined based on performance against corporate scorecard targets.

The financial element of the annual bonus reflected the Group's strong performance over 2022, with delivery being marginally above on-target for adjusted profit before tax and above-target for adjusted RORE. The Committee determined that the financial element of the annual bonus outcome should vest at 86.2% for both the CEO and CFO. Regarding achievement under the Group's non-financial scorecard, the Committee determined a vesting outcome of 66% for the CEO and 80% for the CFO based on performance against scorecard objectives. This results in overall annual bonus outcomes of 78.1% of maximum for the CEO and 83.7% for the CFO (96% for both in 2021). This equates to 117.2% of base salary for the CEO and 104.6% of base salary for the CFO. We have set out in more detail the annual bonus results for 2022 on pages 130 to 131.

The Committee believes that the remuneration outcome accurately reflects the performance of the Group over the year and it is justified in the context of the experience across its various stakeholders.

RSP 2020 vesting

The RSP 2020 awards for the CEO and CFO are due to vest in November 2023 based on an assessment of the Committee as to the stewardship of the Group over the three-year vesting period. Clearly, the final decision will be made in the final quarter of 2023 but based on the performance to date (assessed against the underpin) and the overall stewardship during Covid-19 (and the subsequent period), it is currently expected to vest in full. More detailed disclosure is set out on page 132.

It should be noted (and there is a fuller description in the main body of this report) that the Committee considers the potential for windfall gains at the point of granting the RSP and has a formal policy which we follow. In 2020, we reduced the grant by 15% after having considered the share price movement prior to the grant date. Given the share price at grant (£2.41) the Committee believes that there have been no windfall gains and that no further adjustment is required.

Single total figures of remuneration for 2022

The resulting single total figure of remuneration was £2,396k for the CEO (or £1,867k excluding the RSP2020 notional amount) and £1,428k for the CFO (or £1,193k excluding the RSP2020 notional amount). Full details are set out in the Annual Report on Remuneration on page 129. This represents a year-on-year increase of 21.5% (or (5.3)% excluding the vesting of the RSP2020 notional amount) for the CEO and 9.8% (or (8.3)% excluding the vesting of the RSP2020 notional amount) for the CFO – driven entirely by the notional vesting of the RSP2020.

CEO change

As has been announced, Malcolm Le May has decided to step down as CEO and retire. He is on a 12-month notice period, ending on 24 January 2024.

Malcolm will be succeeded by Ian McLaughlin who is expected to join during the summer of 2023.

Ian's compensation package, which is in line with our current Policy, is as follows:

- salary: £725,000;
- role based allowance: none;
- annual bonus: up to 150% of base salary (with 40% deferred);
- restricted stock plan: up to 100% of base salary (with a post-vesting holding period of two years);
- shareholding requirement: 200% of base salary (with up to five years to be compliant); and
- transitional travel allowance for 12 months.

There are no buyouts or other joining payments.

Malcolm will remain working within the business until Ian joins (and a suitable handover has been completed), with the balance of his 12-month notice period spent on garden leave. During this period, he will continue to receive his salary, role-based allowance, pension and other benefits. He will receive his 2022 bonus and the 2023 restricted stock grant in the usual way (but as a good leaver this will be pro-rated to his leaving date – as will his other unvested RSP awards). He will be eligible for a pro-rata bonus for 2023 based on the period up to the start of his garden leave.

Directors' Remuneration Policy

The Committee is seeking shareholder approval for a new Remuneration Policy for the executive directors, as the term for the existing Policy comes to an end at the 2023 AGM. As a reminder, at the GM in 2020 the Directors' Remuneration Policy received the support of 97.8% of shareholders and the 2021 Remuneration Report received very strong support at the 2022 AGM, with 98.5% of votes received in favour. During the year we have maintained ongoing engagement with investors about remuneration largely via our Chairman and we believe that shareholders remain satisfied with the Remuneration Policy and its implementation.

We have undertaken a review of the existing Policy and we believe it remains appropriate to support the delivery of our strategy. As such, no significant change to the overall structure or quantum of the current executive directors' remuneration is being proposed in the new Policy. A summary of the changes proposed are set out on pages 123 to 124 including the annual bonus deferral policy and Restricted Stock Plan (RSP) underpin to align with market practice.

Directors' Remuneration Policy continued

The Committee has used ESG metrics for the annual bonus scheme for several years with a strong emphasis on the 'S' element as our business purpose is focused on our core Purpose of helping to put people on a path to a better everyday life. It is one of the things we reflect on when considering vesting, but we wish to make this clear and are proposing to include ESG as an additional consideration in the RSP underpin assessment for future grants. We are pleased to note that the Financial Times has named us one of Europe's Climate Leaders and in the Top 100 of companies which have reduced their carbon footprint the fastest. In addition, Newsweek has named us as one of the World's Most Socially Responsible Banks – in the top 20%.

Further detail on the implementation of the full policy is set out on pages 135 to 136.

Implementation of Remuneration Policy in 2023

The Committee considers that the current Policy, approved at the November 2020 GM, has operated as intended and does not require a fundamental change. However, we are proposing the following changes which the Committee considers to be appropriate to ensure that the Policy will continue to operate effectively in line with our strategic priorities and support attraction and retention of key talent, as follows:

- **base salary:** no increase to base salary for executive directors compared with the average increase for the wider colleague group of 5%; and
- **annual bonus and corporate scorecard:** retain the overall weighting of the financial/non-financial metrics as 60%/40% but restructure the weighting of the non-financial metrics so that they align with our Strategic Priorities.

2023 RSP to be granted in April 2023

After considering 2022 performance, RSP awards of 100% of base salary will be granted – in line with our Policy. Subject to underpin criteria, as set out in our Policy, awards will vest in three years with an additional retention period of two years after vesting.

Assessment of windfall gains is important in the current environment, and we have been sensitive to it for several years. In 2020, we adopted an internal policy which considered whether there should be an adjustment at the point of grant to mitigate this possibility. The Policy considers:

- a range of comparison points (including prior year grant price) to determine appropriateness of current year grant price;
- a potential reduction in grant if the current grant price is materially (circa 20%) lower than the comparison points above; and
- other factors which may support or mitigate a grant reduction.

The grant to the incoming CEO will be made as soon as is possible upon his arrival.

Chair and NED fees

There will be no increase to Chairman fees, NED base fees, committee membership fees and SID fees, which is in line with the 0% increase for executive directors.

Conclusion

Overall, the Committee is satisfied that the Remuneration Policy continues to support the Group's business strategy. We believe that it has delivered the right behaviours and reward outcomes across the Group, and competitively positions the Company's remuneration against its peers. We believe that several small changes (which will be submitted to this year's AGM) will ensure that it continues to operate effectively for the next three years.

The executive directors, the senior management team and all our colleagues have made exceptional contributions to the business over the year, showing great resilience to support the Group through yet another challenging year. This is reflected in the outcomes of the bonus pool in 2022 (payable 2023) which, although smaller than the previous year, reflects the effort and results achieved.

In the rest of this report, we present the disclosures required by regulations, as well as additional information to explain how our executive remuneration aligns with our strategy, with shareholder interests and with wider workforce pay. I would like to thank our shareholders for their continued support during the year. I will be available at the Company's 2023 AGM to answer any questions in relation to this Remuneration Report.

Andrea Blance
Remuneration Committee Chair
30 March 2023

Remuneration at a glance

The following section sets out:

- an overview of the proposed changes to the Directors' Remuneration Policy;
- an illustration of the operation of the Policy for 2023;
- a summary of the executive directors' single total remuneration figures, and outcomes under the 2022 Annual Bonus Plan and the RSP 2020; and
- an overview of executive directors' shareholdings.

Summary of the proposed new Directors' Remuneration Policy

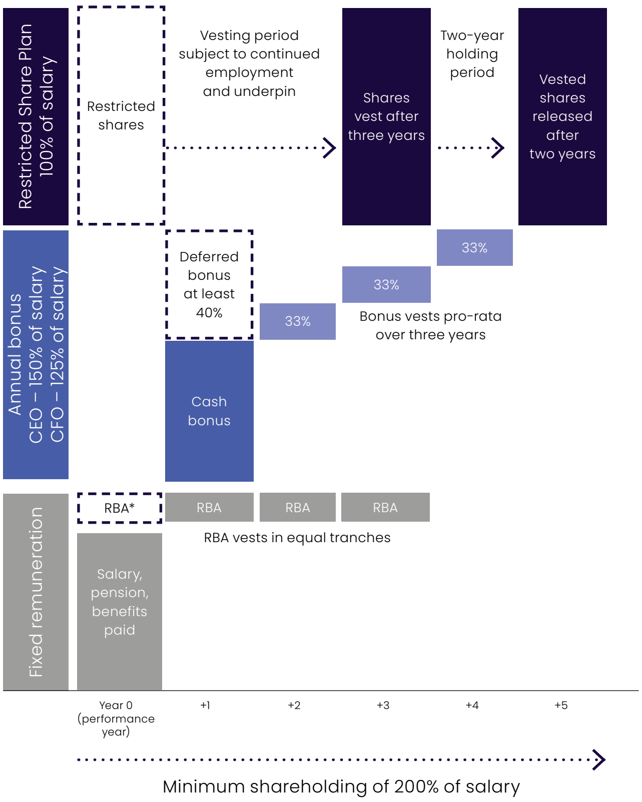
The table below summarises the key proposed changes to the Directors' Remuneration Policy, as approved at the 2020 GM, subject to shareholder approval for the new Policy at the 2023 AGM. Further information on the implementation of the full Policy can be found on pages 135 to 136.

Element of remuneration	Summary of proposed Policy	Changes from current Policy
Salary	An executive director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of base salary, the Committee considers: – pay increases for other colleagues; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant director; and – the anticipated economic environment.	None; Policy will be unchanged in relation to salary.
Benefits	Benefits include market standard benefits.	None; Policy will be unchanged in relation to benefits.
Role-based allowance (RBA)	RBA of 15% of base salary. RBAs are non-pensionable and will be released in equal instalments over three years in the form of shares. The maximum annual value of an RBA grant for an individual is 25% of base salary.	None; the RBA only applies to the current CEO (Malcolm Le May).
Pension	The Company provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice.	None; Policy will be unchanged in relation to pension. From 1 January 2023, both the CEO's (and CFO's) pension contribution will be 10% of salary, in line with the wider workforce.
Annual bonus	**Quantum:** The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary. **Operation:** The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity. **Deferral:** At least 40% of the bonus is deferred over three years with pro-rata vesting.	**Deferral:** Deferred bonus will vest pro-rata over the three-year period, aligned to market practice. The prior approach was a 'cliff vest' at the end of the three-year deferral period. **Dividend equivalent:** The Policy provides flexibility to adjust the share price to allow for the lack of dividends in order to align with the regulatory guidance. No other changes.
Restricted Share Plan (RSP)	**Quantum:** The maximum value of RSP award will be 100% of base salary per annum. **Operation:** Awards are granted annually to executive directors in the form of conditional awards or options. Awards vest at the end of a three-year period subject to: – the executive director's continued employment at the date of vesting; – the executive director is a 'good leaver', i.e., retirement (subject to pro-ration); and – the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the executive directors. Upon vesting, sufficient shares may be sold to pay tax on the shares.	**ESG underpin:** Policy will include an additional criterion relating to ESG as a part of the RSP underpin assessment. **Dividend equivalents:** The Policy wording will be updated to clarify the approach to dividend equivalents, including the flexibility to adjust the share price to allow for the lack of dividends in order to align with the regulatory guidance. No other changes.

Summary of the proposed new Directors' Remuneration Policy continued

Element of remuneration	Summary of proposed policy	Changes from current policy
Shareholding requirements	Normal shareholding requirement of 200% of salary. Additional requirement to hold 200% of salary for two years following cessation of employment. Executive directors have agreed to be bound by the terms of the requirements and Company Secretariat will monitor compliance.	None; Policy will be unchanged in relation to shareholding requirements.
Malus and clawback	Annual bonus and RSP awards are subject to malus and clawback. The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation.	Clawback provisions have been updated to explicitly state that it applies to all variable remuneration for a period of 7 years, extendable up to 10 years in order to align with regulatory expectations. No other changes.
Chair and NED fees	Provides a level of fees to support recruitment and retention of a Chairman and NEDs with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	None; Policy will be unchanged in relation to Chair and NED fees.

Illustration of the Directors' Remuneration Policy in 2023



* Only the current CEO is eligible to receive an RBA.

Salary: No increase from 2022
- **CEO:** - Malcolm Le May: £749,700
  - Ian McLaughlin: £725,000
- **CFO:** £551,250

Role-based allowance (RBA): No change from 2022
- **CEO:** - Malcolm Le May: 15% of salary
- Maximum annual RBA grant for individual – 25% of salary
- Delivered in shares. Released in equal instalments over three years
  - Ian McLaughlin: 0% of salary

Pension: CEO pension contribution reduced from 15% to 10% of salary as of 31 December 2022
- **All EDs:** 10% of salary (in line with the wider workforce)

Annual bonus: Changes to the measures and weighting within non-financial scorecard to reflect business priorities for 2023 and the introduction of our strategic pillars as well as a move to pro-rata vesting of deferred bonus over three years
- **Maximum opportunity:**
  - **CEO:** 150% of salary
  - **CFO:** 125% of salary
- **Performance measures:**
- 60% financial
  - Adjusted PBT 30% (2022: 30%)
  - Adjusted RORE 30% (2022: 30%)
- 40% non-financial
  - Growth and sustainability 6.7%
  - People and culture 6.7% (contains our D&I metrics including our commitment to the Women in Finance Charter)
  - Customer and community 6.6% (contains our ESG metrics)
  - Transformation – 20%

  (2022: strategy 8%; regulatory risk and conduct 8%; Investor Relations 8%; customer 8%; people 8%)
- Risk overlay and CET1 underpin
- **Deferral:** At least 40% deferred, vesting pro-rata over three years in Company shares

RSP: ESG consideration will be included as part of underpin assessment for 2024 RSP onwards (as per changes to Directors' Remuneration Policy)
- **Award level:**
  - **CEO:** 100% of salary
  - **CFO:** 100% of salary
- As a part of grant process, Committee will consider individuals' personal and business performance for the prior year and determine whether the proposed level of grant remains appropriate
- **Underpins:** The Committee will consider the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:
  - Whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the restricted shares
  - Whether there have been any sanctions or fines issued by a Regulatory Body; participant responsibility may be allocated collectively or individually
  - Whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually
  - The potential for windfall gains (our policy is set out in the Chair's letter)
  - The level of colleague and customer engagement over the period
  - The level of achievement of our approach to ESG as set out by the Board*
- **Vesting:** Three years with a two-year holding period post-vesting

* For the 2024 RSP and subsequent awards.

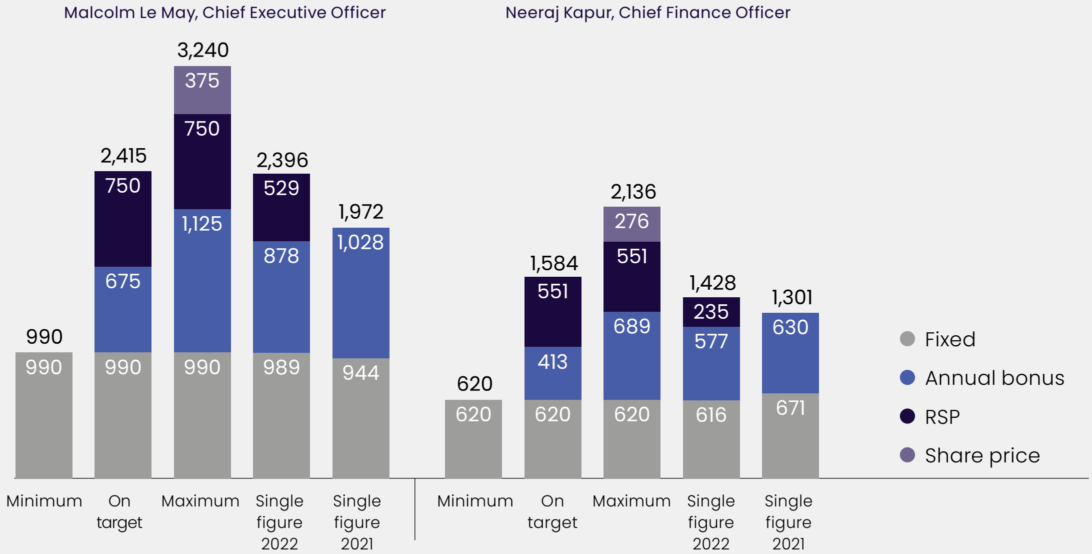
Shareholding requirement: No change from 2022
- **CEO/CFO:** 200% of salary
- Full requirement to be held for two years post-cessation

Further details on the implementation of Policy, including the treatment that will be applied to the various pay elements for the departing and new CEO, has been set out later in this report under the 'Implementation of Policy in 2023' section on pages 135 to 136.

Executive director 2022 remuneration outcomes

The chart below shows an estimate of the remuneration that could be received by executive directors under the Policy and how our performance has flowed through to the remuneration provided to our executive directors. The full explanatory notes for each element of remuneration are detailed on pages 142 to 145 in the Annual Report on Remuneration.

Remuneration (£'000)



- Minimum pay is fixed pay only, i.e. salary + benefits + pension + RBA.
- On-target pay includes fixed pay, 60% of the maximum bonus (with maximum equal to 150% of salary for the CEO and 125% for the CFO) and 100% vesting of the RSP awards (with grant levels of 100% of salary for the CEO and CFO).
- Maximum pay includes fixed pay and assumes 100% vesting of both the annual bonus and the RSP awards.
- The illustration assumes a 50% share price increase on RSP shares over the vesting period.
- All amounts have been rounded to the nearest £1,000.
- The value of taxable benefits is the cost of providing those benefits in the year ended 31 December 2022.

2022 annual bonus outcome

The tables below summarise performance against the targets set for the 2022 bonus and the outcome, before and after Committee discretion.

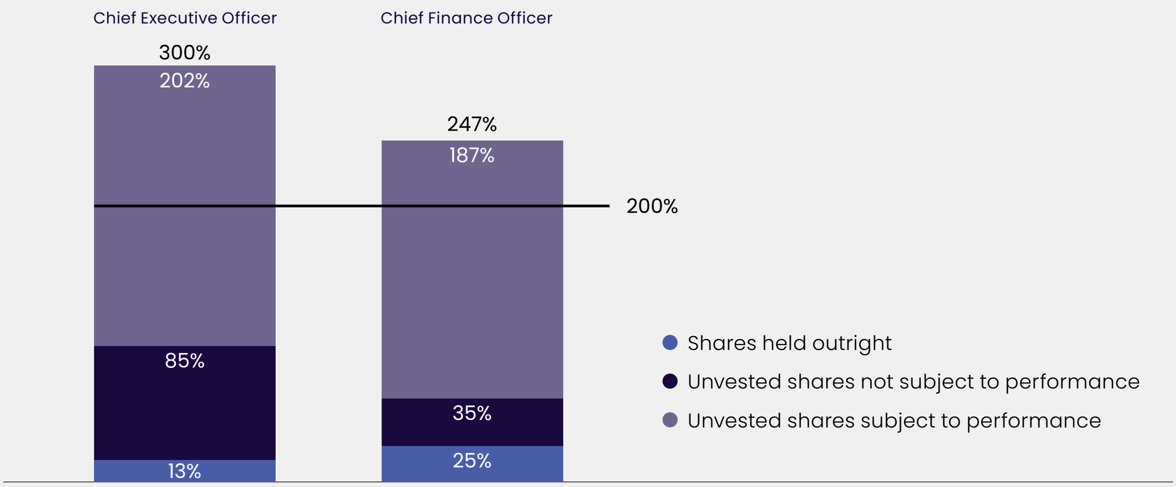
	Performance range					Outcome	
	Threshold 85%	Target 100%	Maximum 110%	Actual*	Weighting	CEO	CFO
Financial					60.0%	51.7%	51.7%
Adjusted PBT	£104.4m	£122.8m	£135.1m	£126.6m	30.0%	21.7%	21.7%
Adjusted RORE	17.1%	20.1%	22.1%	22.2%	30.0%	30.0%	30.0%
Non-financial*					40.0%	26.4%	32.0%
Risk overlay						Met	Met
CET1 gateway	The Group achieved a CET1 ratio of 26.4% (above our hurdle)						
Total outcome (as a % of maximum bonus)						78.1%	83.7%

* This element was adjusted upwards for the CFO due to his material contribution to the 'cost challenge', the improvement in balance sheet capital management and delivering the waiver (received in November 2022) allowing Vanquis Bank to fund the vehicle finance business.

Executive directors' shareholdings

Executives are expected to build and maintain a Company shareholding in direct proportion to their remuneration in order to align their interests to those of shareholders. The chart below sets out the minimum shareholding requirements and the actual shareholdings for the individuals (as a % of base salary). Our executive directors are on track to meet their shareholding requirements of 200% within the required time frame of five years. Note, unvested/restricted shares that are still subject to performance, i.e. unvested RSP awards, do not count towards the shareholding requirement. As a result, in the graph below the RSP2022 is included in 'unvested shares subject to performance'.

In addition, executive directors are required to hold shares worth 200% of base salary – the in-employment requirement (or the executive's actual shareholding on cessation if lower) for two years following cessation of employment.



Link between remuneration and equity of the executive directors

We believe that equity has an important part to play in the remuneration of the executive directors. There is a need for the executive directors to understand from first-hand experience the position of the shareholders and our Restricted Share Plan (and deferred bonus schemes) are structured to support that understanding. This link has been strengthened in the last few years as we require our executive directors to hold their shares for a period of two years post-departure. We monitor regularly that the directors are on track to meet their obligations under the Share Ownership Policy, and we confirm that they are both currently on track. It should be noted that, on the CEO's retirement, there is a requirement that his shareholding position should be maintained for a further two years.

We believe that the remuneration outcomes of the last few years demonstrate the clear link to Company performance. Further evidence of the clear linkage can be found in the outcomes of the vesting stock plans (and the decisions made by the Committee).

To ensure that our executive directors are incentivised to take a long-term, sustainable view of the performance of the Company, when we look at the remuneration paid in the year, we also look at the total equity they hold, and its value based on the performance of the Company.

The table sets out the number of shares beneficially owned by the executive directors at the beginning and end of the financial year, and the impact on the value of these shares taking the opening and closing price for the year.

	2022 single figure £'000	Shares held at the start of the year	Shares held at the end of the year	Value of shares at the start of the year[1] £'000	Value of shares at the end of the year[2] £'000	Difference £'000
CEO	2,396	942,231	1,137,332	3,384.5	2,174.6	(1,209.9)
CFO	1,428	400,838	689,299	1,439.8	1,317.9	(121.9)

1 Based on a closing share price on 31 December 2021 of £3.592.
2 Based on a closing share price on 31 December 2022 of £1.912.

Annual Report on Remuneration

The report complies with the provisions of the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the FCA. The Company also follows the requirements of the UK Corporate Governance Code (the Code) updated in July 2018.

Certain alternative performance measures (APMs) have been used in this report. See pages 229 to 235 for an explanation of relevance as well as their definition.

Contents

Page	Detail
128	Remuneration principles and alignment to the Corporate Governance Code
129	Remuneration governance
129	Single total figure of remuneration (audited)
130	2022 bonus outcome calculation (audited)
131	Scheme interests awarded in the year (audited)
132	Fees from other directorships
133	Statement of directors' shareholding and share interests (audited)
133	Statement of directors' compliance with the Share Ownership Policy
134	Relative importance of spend on pay
134	Service contracts
135	Implementation of Policy in 2023
137	Our approach to fairness and wider workforce considerations
137	Overview of workforce remuneration and the Committee's review
138	Communication and engagement with colleagues
138	Living Wage, equal opportunities and diversity initiatives
139	Gender pay gap
139	Chief Executive Officer (CEO) pay ratio
140	CEO and average colleague pay against total shareholder return (TSR)
141	Percentage change in directors' and colleagues' remuneration
142	Directors' Remuneration Policy

Remuneration principles and alignment to the Corporate Governance Code

We strongly believe in fair and transparent reward throughout the organisation and when making decisions on executive remuneration the Committee considers the context of wider workforce remuneration. This section shows how the 2018 Code is embedded in our remuneration principles and how they are cascaded throughout the organisation. The table below shows how the Policy is aligned with the factors set out in Provision 40, (which sets out a list of matters for the Remuneration Committee to address when determining the Directors' Remuneration Policy and practices – these fall under the headings of clarity, simplicity, risk, predictability, proportionality and alignment to culture), and how our principles and Policy are aligned with the 2018 Code.

Our strategy

Growth and Sustainability	People and Culture	Customer and Community
– Support delivery of the Group's business strategy, realise our Blueprint vision and be customer champion within our sector. – Have flexibility in delivering total remuneration outcomes in changing market, economic, commercial and regulatory circumstances.	– Maintain a competitive reward and recognition offering in the markets in which we compete, thereby supporting our talent attraction, engagement and retention aims. – Ensure remuneration outcomes are fair and consistent, reflect pay for performance and are clear and transparent for all our colleagues. – Support and mitigate any conflicts of interests. – Manage remuneration opportunities and outcomes for regulated colleagues under the SMCR and material risk takers under the Remuneration Code. – Support the effectiveness of the Group's Enterprise Risk Management Framework and incentivise the delivery of the business strategy within risk appetite via a controls-based framework and positive risk conduct culture.	– Drive the Group's ESG strategy, including diversity, equality and inclusion agenda. – Align the interests of our colleagues with those of our customers, regulators and shareholders.

(The rows above sit under the heading **Our remuneration principles**.)

How does the Committee address the requirements under Provision 40?

Cultural alignment
- The Committee ensures that the overall reward framework embeds our Purpose.
- The Committee reviews the executive reward framework regularly to ensure it supports the Company's culture and strategy.
- The ED Remuneration Policy is cascaded down the organisation ensuring that there are common goals.

Proportionality
- Performance measures under the annual bonus as well as the RSP underpin are aligned with the Company's scorecard and the pay-outs reflect achievement against the target.
- The Committee may apply discretion to reduce outcomes under the annual bonus and RSP – if they are considered inconsistent with the underlying performance of the business.

Simplicity
- Policy for EDs is simple and clear, consisting of:
  - fixed pay (salary, fixed pension contribution, role-based allowance) set to reflect the typical rate provided to the UK workforce; and
  - variable pay comprising an annual bonus scheme (partly deferred into shares) and restricted stock awards which provide focus over the long term.
- The Committee avoids unnecessary complexity in operating the arrangements.

Predictability
- The Committee sets specific targets for different levels of performance which are communicated to the EDs and disclosed to shareholders.

Clarity
- Remuneration arrangements have defined parameters that can be transparently communicated to shareholders and stakeholders.
- The Committee consulted with shareholders as part of the design phase of the Policy approved at the 2020 GM. How executives' pay is set has subsequently been communicated to the wider workforce along with how it is aligned with the Company's approach to wider pay policy and how decisions are made by the Committee.

Risk
- Remuneration arrangements are designed to create a robust link between pay and performance thereby mitigating risk of excessive reward.
- Policy has safeguards including Committee discretion to adjust incentive outcomes.
- The Committee ensures that a significant portion of reward is equity based and has deferral (40% of annual bonus deferred in shares for three years and 100% of RSP is in shares) thereby linked to shareholder return.
- Recovery provisions such as malus and clawback apply to the Policy.
- Executives are required to build significant personal shareholdings in the Company.

Remuneration governance

The Committee met five times in 2022 plus 1 ad-hoc meeting. The following schematic sets out the key considerations for the Remuneration Committee during 2022:

	Governance		Annual bonus		Share plans				
	General	DRR	Design	Review	Grant	Review	Risk	All colleague matters	Shareholder
January	●	●	●	●		●	●	●	●
March	●	●	●	●	●	●	●	●	●
June	●		●	●		●	●	●	●
November	●	●		●			●	●	●
December	●	●	●	●		●	●	●	●

The CEO, the Chief People Officer and the Group Reward Director also attend meetings, by invitation, to provide advice and respond to specific questions. Such attendances are specifically excluded on any matter concerning their own remuneration. The Chief Risk Officer attends several meetings throughout the year to provide updates, where necessary. The General Counsel and Company Secretary acts as secretary to the Committee.

Advisors to the Committee

To ensure that the Company's remuneration practices are in line with best practice, the Remuneration Committee has appointed independent external remuneration advisors, PricewaterhouseCoopers LLP (PwC). This appointment in 2020 followed a competitive tender process. PwC attends meetings of the Committee. The Committee reviewed the performance of PwC during 2022 and determined that it was strong, and that the appointment should continue throughout 2023.

Fees, on a time-spent basis, for the advice provided by PwC to the Committee during the year were £192,115 excluding VAT (2021: £114,575). Other than in relation to advice on remuneration, PwC provides support to management in relation to IT, risk management and ad-hoc tax, regulatory and accounting advice. The Committee is satisfied that PwC engagement partners and teams which provided remuneration advice to the Committee do not have connections with the Group or the executive directors that may impair their objectivity and independence.

Single total figure of remuneration (audited)

The table below sets out a single total figure of remuneration for each director for the year ended 31 December 2022 and the prior year:

		Salary/fees £'000	Role-based allowance (RBA) £'000	Taxable benefits[1] £'000	Annual bonus[2] £'000	LTIS/RSP[5] £'000	Pension[3] £'000	Total £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive directors										
Malcolm Le May	2022	750	112	15	878	529	112	2,396	989	1,407
	2021	714	107	16	1,028	–	107	1,972	944	1,028
Neeraj Kapur[6]	2022	551	–	14	577	235	51	1,428	616	812
	2021	607	–	12	630	–	52	1,301	671	630
Non-executive directors										
Patrick Snowball	2022	336	–	1	–	–	–	337	337	–
	2021	320	–	1	–	–	–	321	321	–
Andrea Blance	2022	128	–	1	–	–	–	129	129	–
	2021	118	–	1	–	–	–	119	119	–
Elizabeth Chambers	2022	87	–	33	–	–	–	120	120	–
	2021	83	–	23	–	–	–	106	106	–
Robert East[4]	2022	10	–	–	–	–	–	53	53	–
	2021	78	–	–	–	–	–	78	78	–
Paul Hewitt	2022	112	–	3	–	–	–	115	115	–
	2021	103	–	3	–	–	–	106	106	–
Margot James	2022	87	–	–	–	–	–	87	87	–
	2021	83	–	–	–	–	–	83	83	–
Angela Knight	2022	112	–	–	–	–	–	112	112	–
	2021	103	–	–	–	–	–	103	103	–
Graham Lindsay	2022	112	–	5	–	–	–	117	117	–
	2021	103	–	2	–	–	–	105	105	–

1 Executive directors receive standard market comparable benefits such as medical insurance and life assurance. NEDs have travel expenses reimbursed and, to the extent that those are taxable, grossed up for tax and NIC.
2 40% of the annual bonus is deferred into shares for an additional three years (subject to continued service, in normal circumstances).
3 Pension participation is via a defined contribution plan (or cash alternative) with no executive director having a prospective entitlement under a defined benefit plan.
4 Robert East left the Group on 13 January 2022. The number excludes the fees for his role at Vanquis Bank.
5 The RSP value, as provided in the single figure table above, relates to the 2020 RSP award which is due to vest on 9 November 2023. The value shown is based on the Committee's assessment of the underpin as at 31 December 2022. Further detail on the assessment is set out on page 132. On final vesting on 9 November 2023, the Committee will review this assessment. Any changes to the assessment and the final vesting outcome will be disclosed in the 2023 Directors' Remuneration Report. The value is based on a share price of £2.10.
6 The 2021 figure includes an element of buyout from his previous employment, i.e. shares and bonus.

2022 bonus outcome calculation (audited)

The bonus is based 60% on financial performance measures and 40% on non-financial performance measures. The tables below set out performance against the targets set for the 2022 bonus and the outcome.

Details of the financial assessment

		Performance range					
Percentage vesting	Weighting	Threshold 85%	Target 100%	Maximum 110%	Actual	Outcome as % of max	Weighted outcome
Adjusted PBT targets and performance*	30.0%	£104.4m	£122.8m	£135.1m	£126.6m	72.4%	21.7%
Adjusted return on required equity (RORE)	30.0%	17.1%	20.1%	22.1%	22.2%	100.0%	30.0%

* Certain alternative performance measures (APMs) have been used in this report. See pages 229 to 235 for an explanation of their relevance as well as their definition.

Details of the non-financial assessment

The non-financial element was assessed at 66% achievement with this broken down, in 2022, as follows:

Objective	Assessment of non-financial metrics	Rating
Strategy – 20%	**Corporate reorganisation and operating model development** – Implemented a new operating model including a Group-wide shared services model covering back-office support functions. **Review of the cards business model and develop a plan for sustainable revolving credit business model** – Following completion of 100-day exercise, several improvements were identified and implemented which led to significantly above budgeted volumes of new customers and improved P&L contribution. **Deliver loans strategic plan, including integration onto Gateway platform and product proposition development plans, and progress 2022 elements** – The two loan pilots were completed at the end of H1. – Commercial performance to date has exceeded expectations with a strong performance from open-market loans. **Deliver a reduction in the Group's cost base to below £250m by 2024** – Strong 2022 performance has been achieved with targets met. – Plans are in place to deliver the additional 2023 savings so that the 2024 objective is deliverable.	On-target plus – 71%
Regulatory risk and conduct – 20%	**Implement and embed risk harmonisation and Enterprise Risk Management Framework** – Risk Appetite and Risk Events modules were fully implemented. – RCSA, Internal Audit and Compliance modules are also in place by the end of the financial year. **Submit new ICAAP and ILAAP** – ICAAP is on track and engagement with the regulators is ongoing (as per the plan). – ILAAP has been agreed with the Board and is on track. Engagement with the regulators will begin in 2023 (as per the plan). **Complete CCD exit plan** – The administration of the Scheme continues as planned. Liquidation should commence in early 2023 as planned.	On-target plus – 75%
Investor relations – 20%	**Deliver effective and regular investor dialogue** – Supportive market feedback received following 2022 results announcements (including shareholder perception survey). – Half-year and quarterly market updates delivered according to plan and were well received. **Enhance external reputation** – Supportive feedback from shareholders around the repositioning of the Group as a leading specialist bank focused on underserved markets. **Deliver 2022 ESG objectives** – Accounted for all material scope 3 carbon emissions to enable the setting of science-based carbon reduction targets (which will be validated by the Science Based Targets initiative) for 2023. – Determined relevant metrics to be used to: a) undertake quantitative analyses to better understand the financial impacts of the climate-related risks and opportunities that are material to our operations; and b) support our climate risk appetite statement. – Launched a School Uniform Fund which has distributed support by School-Home Support and Dixons Academies Trust to over 1,000 school children in Bradford, Liverpool, Manchester and Blackpool. – Ukraine laptop initiative now established, fully rolled out and completed by year end. **Progress towards commitment to the Women in Finance Charter** – On track to meet the medium-term aspiration of 40%. Current tracking is over 30%.	On-target minus – 49%

Objective	Assessment of non-financial metrics	Rating
Customer – 20%	**Deliver customer outcomes consistent with the Group's Purpose, Blueprint and customer outcome frameworks** – Delivered customer outcomes balanced scorecard (Net Promoter Score/Trustpilot/credit score improvement/complaints). – Strengthened analysis of customer outcomes which was approved by the Board at the end of 2022. **Develop plans to support Group customers** – Winner of Changing Lives in the Community at the Cards and Payments Awards 2022. In addition, at the 2023 Card and Payment Awards – winner of Best Benefits or Loyalty Scheme and Best Customer Service. **Deliver planned 2022 product proposition developments** – Improved offering via Zest (nationwide partnership) which will increase volumes and allow contract hire. This provides an increased opportunity for our customer base to have new (and more environmentally friendly) cars.	On-target plus – 70%
People – 20%	**Colleague opinion survey** – 79% (up 8%) of colleagues completed the first survey reflecting the new structure. Overall, the results have held steady across all four Indices during a year of high organisational change and point to continued high levels of commitment and discretionary effort from colleagues. **Culture** – Launched a major culture refresh to reflect the new Mission and focus of the organisation. Colleague groups have been a key part of the design and the implementation planning. Both the process, and colleague inclusion, were very well received by the colleague groups. This will be completed in 2023. **Remuneration** – Rolled out a Remuneration Policy and Reward Framework across the organisation which has created a harmonised approach across the organisation and improved fairness of bonus outcomes. – Policy standardisation to ensure fairness of application has been undertaken in 2022 with only four policies remaining to be harmonised.	On-target/ on-target plus – 65%
Overall	Taking the above into consideration and following feedback from the CRO, the Committee determined that: – no discretion should be applied to remuneration outcomes due to risk; and – discretion should be applied for the CFO bonus outcome due to his impressive contribution to the 'cost challenge' and the improvement in balance sheet capital improvement. Thus, for the calculation of the CFO bonus, the non-financial scorecard assessment has been adjusted from 66% to 80% achievement. The main reasons for this exercise of discretion were due to his material contribution to the 'cost challenge', the improvement in balance sheet capital management and delivering the waiver (received in November 2022) allowing Vanquis Bank to fund the vehicle finance business.	On-target/ on-target plus: CEO – 66% CFO – 80%

Risk overlay

A risk overlay approach was used for potential risk adjustment with a range of factual criteria for assessment agreed with the Committee. This forms the basis of our Group Variable Risk Adjustment Framework and allows for a more flexible and holistic approach to be adopted which considers not only the business outcomes (quantitative), but also how these have been achieved (qualitative).

After discussion with the Group CRO, and the Chair of the Group Risk Committee, the Committee concluded that, overall, progress has been made this year on improving risk control in all parts of the Group. No risk adjustment was applied to the CEO or the CFO remuneration outcomes.

Scheme interests awarded in the year (audited)

RSP 2022 grant

The 2022 RSP awards were made in April 2022 as set out below.

An award of 100% of salary was made to both the CEO and CFO. This represented a 0% discount to the normal level permitted under the Policy.

The face value is based on the Company's share price at the date of grant of 296.28p. The grant price is calculated using the average price of a Vanquis Banking Group share for the five dealing days prior to grant.

Director	Date of award	RSP award (shares)	Face value of award	Date of vesting	End of holding period
Malcolm Le May	7 April 2022	289,593	£749,700	7 April 2025	7 April 2027
Neeraj Kapur	7 April 2022	212,936	£551,250	7 April 2025	7 April 2027

Scheme interests awarded in the year (audited) continued

RSP 2022 grant continued

These awards are conditional share awards without any performance targets. However, they are subject to underpins that will apply over the initial three-year vesting period. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:

- whether an adjustment was made to the number of shares initially granted;
- whether threshold performance levels have been achieved for the performance conditions for the Bonus Plan for each of the three years in the vesting period;
- whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the restricted shares;
- whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually;
- whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually;
- the potential for windfall gains; and
- the level of colleague and customer engagement over the period.

In all cases, vesting is subject to the Committee's holistic assessment based on business performance, individual performance or wider Group considerations.

The RSP awards vest subject to continued employment (or 'good leaver' status) and must be held (subject to sales to meet PAYE and NIC liabilities) for a period of two years following vesting.

For awards prior to 2022, to the extent an award vests, either additional ordinary shares in the Company or a cash amount equivalent to the dividends that would have been paid on the shares vesting from the date of grant will be provided to the executive directors on vesting.

RSP 2020 vesting (audited)

The 2022 RSP value, as shown in the single figure table, relates to the 2020 RSP award which is due to vest on 9 November 2023. The RSP grant was later than normal due to the introduction of a new RSP scheme in November 2020 which replaced the existing LTIS arrangement (and resulted in the cancellation of the LTIS2020 for participants). The vesting is subject to an underpin which provides discretion for the Committee to consider whether any adjustment to vesting should be made.

The underlying desire was (and remains) to ensure that participants have been positive custodians of: (i) the underlying financial health of the business; (ii) maintaining our reputation; (iii) making progress on our strategic imperative of 'being a leading specialist bank focused on underserved markets'; (iv) ensuring that we met our ESG commitments (and, in particular, our social commitments); and (v) appropriately focused on our agreed risk appetite. The Committee reviewed performance against the underpin attached to the 2020 RSP awards (and the underlying desire as set out above) as at 31 December 2022 (the last full performance year prior to vesting), and took into account a number of factors, including:

- formulaic threshold performance levels were exceeded overall for the performance conditions for the Bonus Plan for each of the three years in the vesting period, i.e., 2020, 2021 and 2022, noting the Committee exercised discretion to reduce the 2020 bonus award to zero;
- the underlying financial performance progression of the Group over the vesting period;
- the regulatory position of the Company remains positive and there have been no sanctions or fines issued by a regulatory body;
- there has been no material damage to the reputation of the Company or the Group; and
- the level of colleague and customer engagement over the vesting (as mentioned earlier) remains strong.

The Committee's interim assessment as at 31 December 2022 suggests that no adjustment will be required for the 2020 RSP award. The Committee will review this assessment again in the autumn prior to final vesting. Any changes to the above assessment and the final vesting outcome will be disclosed in the 2023 Directors' Remuneration Report.

It should be noted that the Committee has a formal Policy concerning potential windfall gains and makes, where appropriate, an adjustment at the point of grant. In 2020, the adjustment was a reduction of 15% on the standard award grant.

Fees from other directorships

Malcolm Le May has been a non-executive director of IG Group plc since September 2015. He retains the fees from this appointment. During 2022, the total fees amounted to £150,582 (made up of (i) UK fees amounted to £114,000, and (ii) additional $44,264 from US responsibilities) (2021: £156,000).

Neeraj Kapur did not hold any external directorship for the period from 1 January 2022 to 31 December 2022.

Statement of directors' shareholding and share interests (audited)

The table below shows the interests of the directors and connected persons in shares (owned outright or unvested) as at 31 December 2022. The table also incorporates a move of 48,867 shares from Malcolm Le May to 'shares owned outright' and the vesting of the 2020 RSP. There have been no further changes in directors' interests in the period between 31 December 2022 and 30 March 2023.

		Outstanding scheme interests						
	Shares owned outright	Unvested shares not subject to performance	Unvested share options subject to performance	Unvested shares subject to performance	Total scheme interests	Shareholding guideline % of salary	Current shareholding % of salary*	Guideline met
Executive directors								
Malcolm Le May	52,117	320,626	765,810	–	1,086,436	200%	95.1%	No
Neeraj Kapur	70,632	164,369	454,298	–	618,667	200%	81.5%	No
Non-executive directors								
Patrick Snowball	96,477	–	–	–	–	n/a	n/a	n/a
Andrea Blance	–	–	–	–	–	n/a	n/a	n/a
Elizabeth Chambers	12,000	–	–	–	–	n/a	n/a	n/a
Robert East**	5,000	–	–	–	–	n/a	n/a	n/a
Paul Hewitt	34,205	–	–	–	–	n/a	n/a	n/a
Margot James	–	–	–	–	–	n/a	n/a	n/a
Angela Knight	–	–	–	–	–	n/a	n/a	n/a
Graham Lindsay	9,771	–	–	–	–	n/a	n/a	n/a

* Based on the share price of £1.912. Shares owned outright (and those not subject to performance) have been included. The shareholding guidelines have not yet been met but the Policy provides for more time to be compliant. A breakdown of the journey to compliance can be seen below.

** Correct as at date of departure – 13 January 2022.

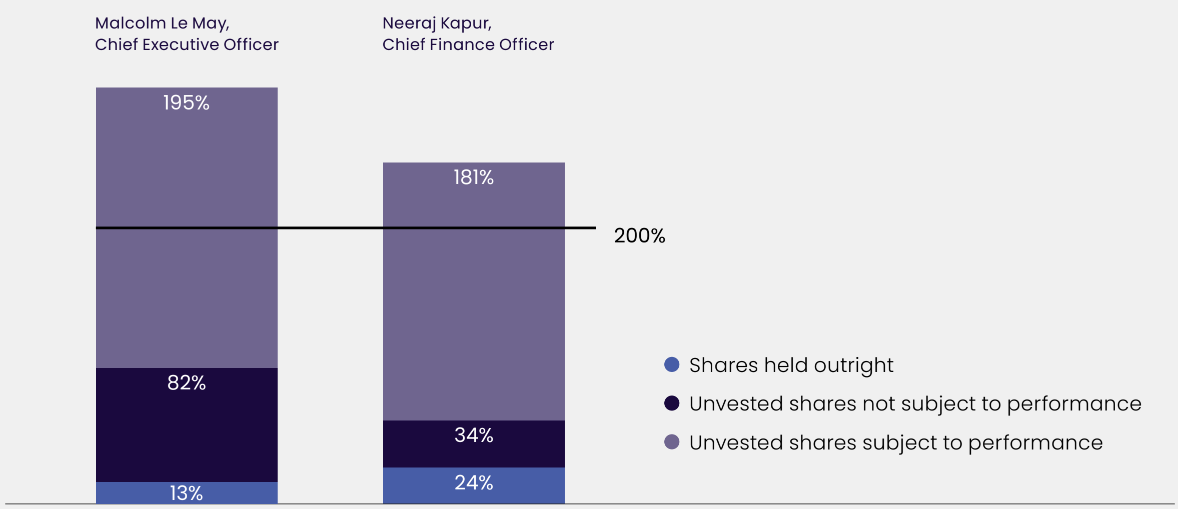
Statement of directors' compliance with the Share Ownership Policy

The following sets out the expected level of share ownership that the executive directors will acquire over the period 2022 to 2026.

A number of assumptions have been made about: (i) retention; (ii) personal tax rates; (iii) Company performance; (iv) Company share price; and (v) ongoing grant policy. The calculations below therefore show the shareholding if the RSP is included when: (i) granted; and (ii) vested. The RSP has been included on a net of tax basis.

The current executive director holding requirement is 200% of base salary and it can be seen that the CFO remains on course to achieve this in the next few years. Note that Malcolm, who has announced his retirement, will no longer be subject to the requirement once he formally steps down from the Board. However, he will be subject to the post-employment shareholder requirements, i.e. to hold 200% of salary for two years following cessation of employment, in line with our Policy. Finally, in addition to the inclusion (or otherwise) of the RSP, this calculation includes: (i) shares held outright; (ii) shares provided due to 'buyout', i.e. Neeraj Kapur, tranches 2 and 3; (iii) shares deferred under the Bonus Plan; (iv) shares deferred under the role-based allowance, i.e. Malcolm Le May; and (v) shares under the SAYE plan.

The charts below illustrate the forward-looking shareholding progression as a % of base salary. The current shareholding requirement for executive directors is 200% of salary.



Relative importance of spend on pay

The table below shows how the Company's performance metrics compare to total colleague pay expenditure for the financial years ended 31 December 2021 and 31 December 2022.

Relative importance of spend on pay	2022	2021	Year-on-year change
Shareholder distributions*	£42.8m	£0	n/a
Net income	£480.7m	£485.5m	(1.0%)
Adjusted PBT	£126.6m	£167.8m	(24.6%)
Adjusted EPS	38.7p	57.5p	(32.7%)
Total remuneration costs	£151.1m	£210.2m	(28.1%)

* This number reflects dividends only as there were no buybacks.

Service contracts

The executive directors are employed under contracts of employment with the Company. The principal terms of the executive directors' service contracts are as follows.

			Notice period	
Executive director	Position	Effective date of contract	From Company	From director
Malcolm Le May	Chief Executive Officer	1 February 2018	12 months	12 months
Neeraj Kapur	Chief Finance Officer	1 April 2020	12 months	12 months

The Chairman and non-executive directors have letters of appointment. Dates of the directors' letters of appointment are set out below:

Name	Date of original appointment	Date and actual date of expiry
Patrick Snowball	21 September 2018	21 May 2025
Andrea Blance	1 March 2017	27 February 2026
Elizabeth Chambers	31 July 2018	30 June 2024
Paul Hewitt	31 July 2018	30 June 2024
Margot James	27 July 2020	28 June 2023
Angela Knight	31 July 2018	30 June 2024
Graham Lindsay	1 April 2019	30 June 2025

Implementation of Policy in 2023

The table below summarises the key features of the Policy which is to be put to vote at the 2023 AGM and how we plan to implement it in 2023/24. Full details of the Policy have been set out on pages 135 to 136.

Element of remuneration	Key features of Policy	Implementation in 2023
Salary	An executive director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of base salary, the Committee considers: – pay increases for other colleagues; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant director; and – the economic environment.	No salary increase to 2022 salaries for CEO and CFO (5% increase in 2022). **Malcolm Le May** 2023: £749,700 2022: £749,700 **Ian McLaughlin** 2023: £725,000 **Neeraj Kapur** 2023: £551,250 2022: £551,250
Benefits	Benefits include market standard benefits.	No change from 2022.
Role-based allowance (RBA) (Only applicable to Malcolm Le May)	RBA of 15% of base salary. RBAs are non-pensionable and will be released in equal instalments over three years in the form of shares. The maximum annual value of an RBA grant for an individual is 25% of base salary.	No change from 2022. This applies to the current CEO but will cease on his retirement.
Pension	The Company provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice.	Reduction from 15% to 10% of salary for CEO to align with the wider workforce. CEO and CFO: 10% of salary. 10% is the norm for the Group's Pension Plan.

Annual bonus	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary.
	The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year.
	The financial measures will account for no less than 50% of the bonus opportunity.
		There is no change to the overall approach and percentage.
		Maximum opportunity:
		– CEO:
		  – Malcolm Le May: 150% of salary. Due to the announced departure, his 2023 bonus will be pro-rated based on the period up to the beginning of garden leave.
		  – Ian McLaughlin: 150% of salary. Due to him joining part-way through the year, his 2023 bonus will be pro-rated for time in service.
		– CFO: 125% of salary.
		Changes to non-financial measures to reflect business priorities and deferred bonus will vest pro-rata over the three-year period, aligned to market practice.
		Measures:
		Financial performance measures in line with 2022:
		– adjusted PBT (30%); and
		– adjusted return on required equity (RORE) (30%).
		Strategic and operational objectives (40%) of which:
		– Growth and Sustainability (6.7%);
		– People and Culture (6.7%);
		– Customer and Community (6.6%); and
		– transformation (20%).
		In addition, there is a risk overlay and CET1 underpin.
		Deferral:
		At least 40% of the bonus is deferred, vesting pro-rata over three years in Company shares.

Implementation of Policy in 2023 continued

Element of remuneration	Key features of Policy	Implementation in 2023
Restricted Share Plan (RSP)	Awards are granted annually to executive directors in the form of conditional awards or options. Awards vest at the end of a three-year period subject to: – the executive director's continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the executive directors. Upon vesting, sufficient shares may be sold to pay tax on the shares.	No change from 2022. The Committee is intending to grant an RSP award of 100% of base salary to both our outgoing, and incoming, CEOs and to our CFO in line with the Policy maximum. Due to his departure, the 2023 grant for Malcolm Le May will be pro-rated up to the anniversary of the 2023 grant.
Shareholding requirements	Normal shareholding requirement of 200% of salary. Additional requirement to hold 200% of salary for two years following cessation of employment. Executive directors have agreed to be bound by the terms of the requirements and Company Secretariat will monitor compliance.	No change from 2022. Malcolm Le May will remain subject to the post-employment shareholding requirements in line with the Policy.
Malus and clawback	Standard market practice (and regulatory requirements) malus and clawback provisions as at the time the Policy was adopted.	The total malus and clawback period for both the cash and deferred shares elements of the annual bonus may be extended to 10 years where there is an ongoing internal or regulatory investigation. No other changes from 2022.
Chair and NED fees	Provides a competitive level of fees to support recruitment and retention of a Chairman (and NEDs) with the necessary experience to advise, and assist, the executives with establishing and monitoring the Group's strategic objectives.	The fee levels as at 1 January 2023 for the Chairman and NEDs are as below. These reflect a 0% increase from 2022 levels.

Non-executive director fees for 2023

In 2022, the Committee reviewed non-executive director fee levels to ensure that they remain competitive with other listed companies of equivalent size and complexity. Taking this into account, and to reflect the increased focus and time required of the NEDs following the restructuring of the Group's governance structure, the Committee proposes no increases to NED fees effective from January 2023. The table below shows fee levels for each role and how they compare to 2022.

	2023	2022	% change
Chairman of the Board	£336,000	£336,000	0%
Board fee	£71,400	£71,400	0%
Senior Independent Director	£15,750	£15,750	0%
Committee Chair	£25,000	£25,000	0%
Committee members	£15,750	£15,750	0%

Additional remuneration disclosures

Our approach to fairness and wider workforce considerations

This section of the report brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to our director pay by explaining our colleague policies and our approach to fairness, including the following:

– the report received by the Committee on wider workforce pay policies and whether the approach to executive remuneration is consistent and the alignment of the incentives operated by the Company with its culture and strategy;

– general pay and conditions in the Group;

– gender diversity and pay gap; and

– comparison metrics on executive and colleague remuneration.

In order for the Committee to carry out its oversight review of wider workforce pay, policies and incentives the Committee receives a report annually from the Company setting out key details of remuneration throughout the Company. Details of the information reviewed by the Committee and findings are set out below.

Overview of workforce remuneration and the Committee's review

The table illustrates how the remuneration policy for executive directors cascades throughout the colleague population.

Colleague group	% of workforce	Average increase in base salaries[1]	Variable pay[2] Commission schemes	Variable pay[2] Annual bonus	Share plans[3]	Pension[4]	Benefits[5]
Executive directors	0.1%	0.0%	No	All	Yes	Yes	Yes
Senior management	3.1%	7.6%	No	All	Yes	Yes	Yes
Management	18.4%	10.0%	No	All	Yes	Yes	Yes
All other colleagues	78.4%	10.6%	No	Role dependent	Yes	Yes	Yes

1 Base salaries:
  – Base salaries are market competitive and determined with reference to role type, location, responsibility (level), experience and market practice.
  – Annual salary increases are applied on an equitable and objective basis dependent on role type.

2 Variable pay:
  – In line with our approach to executive director remuneration, a proportion of the remuneration of the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals.
  – Approximately 90% of the workforce benefits from variable pay which is linked to the Group's performance in the form of annual bonuses. Variable pay is determined with reference to financial performance and/or the achievement of objectives which are aligned to the Group's strategic priorities.

3 Share plans:
  – Historically, long-term incentive participation has been limited since the Group's variable pay arrangements provide the strong linkage between workforce remuneration and the Group's financial performance and/or strategic priorities.
  – All colleagues have access to share ownership schemes (SAYE (an all-employee plan enabling colleagues to save monthly and receive an option to purchase Group shares at a discount following a minimum of three years) and SIP (an all-employee plan enabling the colleagues to purchase Group shares on a monthly basis out of deductions from salaries, also receiving some Matching Awards from the Group)) but only senior management participates in the RSP.

4 Pension:
  – Maximum employer contributions are consistent across the Group (maximum 10% employer contribution for the Group DC arrangements), with minor deviations appropriate for role type or for historical reasons. There also exists a NEST pension arrangement.

5 Benefits:
  – Consistent approach applied and determined with reference to role type, market practice and seniority.

The levels of remuneration and the types offered will vary across the Company depending on a colleague's level of seniority and role. The Committee is not looking for a homogeneous approach; when conducting its review, it is paying particular attention to:

– whether the element of remuneration is consistent with the Company's remuneration principles;

– if there are differences, whether they are appropriate; and

– whether the approach is fair and equitable in the context of other colleagues.

Additional remuneration disclosures continued

Overview of workforce remuneration and the Committee's review continued

The key findings of the Committee's review for 2022 have been set out in the following table.

Element	Findings
Salary	Average salary increases for colleagues across the Company are being applied on an equitable and objective basis.
Incentives	The majority of our colleagues have the ability to share in the success of the Company through incentive compensation in the form of variable pay linked to performance.
Shareholding requirements	Executive directors are required to adhere to minimum shareholding guidelines.
Pensions	All colleagues are eligible for enrolment in a defined contribution pension arrangement. The CEO's current pension contribution has been reduced in order to achieve alignment with the wider workforce. The pension contributions for the CFO are already aligned to the wider workforce.
Benefits	Benefits are offered according to the level of seniority of the role in line with market practice. Our benefits offering is broadly in line with similar companies but our 'wellbeing' offering is competitive vs companies of a similar size.

Having carried out a full review in 2022, the Committee is satisfied that the approach to remuneration across the Company is broadly consistent with the Company's principles of remuneration and the pay. Further, in the Committee's opinion the approach to executive remuneration aligns with the wider Company pay policy and there are no anomalies specific to the executive directors.

Communication and engagement with colleagues

The Board is committed to ensuring there is an open dialogue with our colleagues and the Committee has the authority to ask for additional information from the Company in order to carry out its responsibilities.

The Colleague Forum is a long established arrangement to facilitate effective engagement between the Board and the workforce and to encourage workforce participation in shaping strategic initiatives and seek views on key decisions. It supports the Group in satisfying Provision 5 of the UK Corporate Governance Code published in July 2018, as well as capturing meaningful input and feedback from staff.

Our Colleague Forum has colleague representatives from across all areas and all levels of the business and meets quarterly. The Designated Non-Executive Colleague Champion (and Chair of the Customer, Culture and Ethics Committee (the CCE Committee)) works closely with the Colleague Forum in his capacity as engagement sponsor on behalf of the Board to agree a rhythm of dialogue and meeting attendance to further cement the link between the Colleague Forum and the Board.

Alongside the Colleague Forum, we commission an annual Colleague Engagement Survey, which is independently administered by People Insight, as a channel for colleague voice and feedback. The output from each Colleague Engagement Survey is reviewed by the CCE Committee and appropriate actions are taken in response to any findings.

In 2022, the Committee conducted a review of the wider colleague remuneration and incentives with a key part being consistency and fairness across the organisation via an appropriate framework. The conclusions of this review are currently being implemented and they are bringing greater consistency, transparency and fairness across the Group.

In addition, this is the second year that the 'Blueprint behaviours' performance management framework was used fully across the Group to assess colleagues' performance and determine bonus allocations in line with the Group's values. Work has continued on harmonising pay and benefits opportunities for equivalent roles across all areas of the business through the new Group Reward Framework which will be implemented in 2023 and 2024. Group-wide job levels have also been rolled out to help drive consistency and create a more unified colleague experience and support talent mobility.

Living Wage, equal opportunities and diversity initiatives

A summary of the Company's general policies in relation to Living Wage, equal opportunities and diversity initiatives are as follows:

Policy	Description
Living Wage employer	The National Living Wage is the amount of money all colleagues aged over 25 are legally entitled to. Our policy is to ensure that all colleagues, whatever their age, are paid the National Living Wage or above.
Equal opportunities and diversity initiatives	The Company is committed to an active equal opportunities policy from recruitment and selection, through to training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its colleagues, customers and the community. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Company ensures its promotion and recruitment practices are fair and objective and encourages the continuous development and training of its colleagues, as well as the provision of equal opportunities for the training and career development of all colleagues. Further details are provided in the CCE Committee Report on pages 100 to 102.

Gender pay gap

We feel strongly about the importance of having a workforce which represents the customers we serve. We hire from diverse backgrounds, employing 51% men and 49% women across our business, and our recruitment policies, salary and bonus structures are designed to be gender neutral.

The Group recognises that the key driver behind both our hourly rate and bonus gap is a higher proportion of male colleagues in senior roles, and so we continue to remain focused on initiatives to increase female representation at senior management and leadership level. The Group produced a gender pay report in 2021 which was published at the end of March 2022. We are currently finishing the 2022 review which will be submitted at the end of March 2023.

The introduction of job levelling, and a consistent reward framework, means that we are better able to demonstrate that across the Group, male and female colleagues are treated fairly. Our mean gender pay gap continues to be driven by greater representation of males in senior roles. Whilst the gender pay gap has decreased from 2021, there is still further improvement possible, and our key focus to address this, is increasing female representation in senior roles. This is evidenced by our commitment to the Women in Finance Charter.

Chief Executive Officer (CEO) pay ratio

For the purposes of calculating the CEO pay ratio, we have used Option A, which takes into consideration full-time equivalent basis of all UK employees and provides representative result of the employee pay conditions across the Company. The ratios have decreased in 2022 compared to 2021 mainly due to the reduction in the annual bonus outcomes for the CEO.

In assessing our pay ratio versus likely ratios from industry peers, we believe that we are comparable but note that annual and long-term incentive payments have varied considerably amongst this group. We recognise that ratios will be influenced by levels of colleague pay and, in the sector, colleague pay will be lower than in many other sectors of the economy.

The key reason for the difference between 2022 and 2021 is the reduction in the annual bonus outcomes. In addition, the overall change of shape of the business over the last 12 months has also had an impact.

The significant volatility in this ratio is caused by the fact that the CEO pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022 (actual)	67.9:1	48.7:1	27.0:1
2021 (actual)	79.6:1	66.3:1	44.1:1
2022 (incl. target bonus)	55.7:1	41.0:1	22.4:1
2021 (incl. target bonus)	64.5:1	53.8:1	36.8:1

Base salary and total pay and benefits for CEO and colleague percentiles

	2022
Base salary (£'000)	750
Total pay and benefits (£'000)	2,396
Colleagues	2,762
Base salary (£'000)	
Colleague at the 25th percentile	22.1
Colleague at the 50th percentile	29.1
Colleague at the 75th percentile	54.8
Total pay and benefits (£'000)	
Colleague at the 25th percentile	25.9
Colleague at the 50th percentile	36.0
Colleague at the 75th percentile	65.0

Total remuneration for each colleague was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile colleagues were identified as at 31 December 2022. Overall annualised pay was compared to the CEO's annual pay. Colleague total remuneration includes: basic salary, maternity/paternity pay, annual cash bonus and benefits. The total remuneration for the relevant colleagues was compared to that of the CEO.

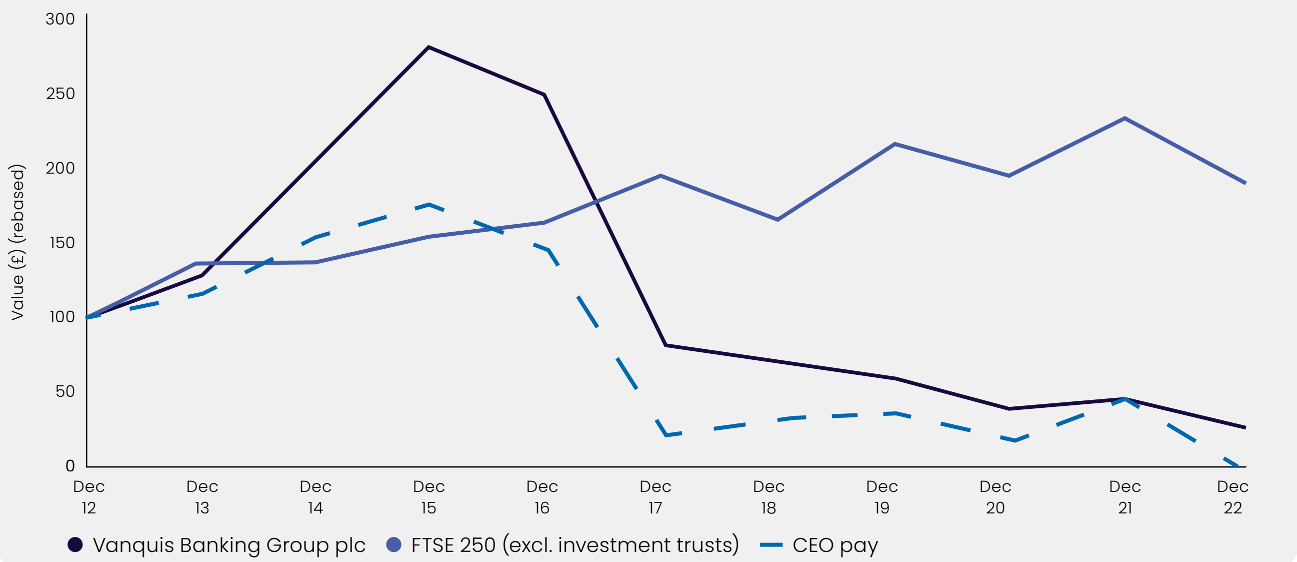
The Company believes that the median pay ratio for 2022 is consistent with the pay, reward and progression policies for the Company's colleagues. We also considered the pay composition of the colleagues who represent the median, lower and upper quartiles and were comfortable that it fairly represents pay in the Company.

Additional remuneration disclosures continued

CEO and average colleague pay against total shareholder return (TSR)

The chart below shows the single figure of remuneration for our CEO over time rebased to 2012. We have also included our TSR performance over this period against the FTSE 250, based on £100 invested. The FTSE 250 was chosen as, in the opinion of the Committee, the size and complexity of the Company make this an appropriate basis for comparison.

Pay performance: TSR chart
(£'000)



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEO single figure of remuneration (£'000)	4,985	6,594	7,500	6,315	962	1,387	1,507	818	1,972	2,396
Annual bonus/earning (% of maximum)	89	100	98	100	–	69	53	–	96	78
LTIS/RSP vesting (% of maximum)*	100	100	100	100	–	–	–	–	–	100

* The RSP2020 is predicted to vest in full but it should be noted that there was a 15% reduction in number of shares (from the maximum) when granted in 2020.

The greater volatility of our CEO pay is due to the higher proportion of incentive pay in his package compared with that of our colleagues, which introduces a higher degree of variability in his pay each year versus colleagues. The above data incorporates prior CEO data before 2018.

Percentage change in directors' and colleagues' remuneration

The Committee monitors the changes year-on-year between our directors' pay and average colleague pay. As per our Policy, salary increases applied to executive directors will typically be in line with those of the wider workforce. In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the percentage change in executive director and non-executive director total remuneration compared to the change for the average of the percentage change for colleagues within the Company. The comparator group is based on all colleagues.

	Salary/fees		Taxable benefits		Short-term variable pay	
	2022	2021	2022	2021	2022	2021
Executive directors						
Malcolm Le May	5.0%	18.1%	(6.3%)	(51.2%)	(14.6%)	See below
Neeraj Kapur[1]	(9.2%)	(31.6%)	16.7%	54.9%	(8.4%)	See below
Non-executive directors						
Patrick Snowball	5.0%	(7.8%)	0%	(67%)	n/a	n/a
Andrea Blance	8.5%	5.4%	0%	(50%)	n/a	n/a
Elizabeth Chambers	4.8%	1.2%	43.5%	0%	n/a	n/a
Robert East	(87.2%)	5.4%	0%	n/a	n/a	n/a
Paul Hewitt	8.7%	5.1%	0%	50%	n/a	n/a
Margot James	4.8%	130.6%	0%	n/a	n/a	n/a
Angela Knight	8.7%	2.0%	0%	n/a	n/a	n/a
Graham Lindsay	8.7%	8.4%	150%	(50%)	n/a	n/a
Average colleague	8.4%	3.1%	58.7%	0.0%	(5.2%)	723%

1 The year-on-year % is distorted due to the prior year having an element related to the buyout of the previous contact on appointment. As with the CEO, the annual pay rise for 2022 was 5%.

This section sets out the revised Directors' Remuneration Policy which will be put forward to shareholders at the 2023 AGM for a binding vote and, if approved, will apply from the 28 June 2023 for up to three years.

The current Directors' Remuneration Policy for executive directors, the Chairman and independent non-executive directors was approved at the AGM held on 3 November 2020 and has applied for three years from that date. The Policy has continued to support the delivery of our strategy.

Changes made to the current Policy since the 2020 shareholder vote

At the AGM in 2020, the Directors' Remuneration Policy received the support of 97.8% of shareholders. The subsequent Directors' Remuneration Reports received support from shareholders of 99.0% and 98.5% of shareholders at the 2021 and 2022 AGMs respectively.

The Committee conducted a review of the Policy in 2022 considering the views of stakeholders, the strategic objectives of the Group, the remuneration framework applicable to all colleagues, market benchmarking and best practice. Following careful consideration, the Committee decided to retain a broadly unchanged Policy, making some small changes in order to align with market practice and reinforce sustained long-term focus on our strategic goals. The proposed Policy will continue to support the delivery of the Group's business strategy and alignment to the interests of our shareholders.

Proposed Directors' Remuneration Policy

The proposed Directors' Remuneration Policy, to be effective from the date of the Group's AGM on 28 June 2023 (at 3pm in Bradford), for up to three years, is set out below.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Salary Provides a base level of remuneration to support recruitment and retention of executive directors with the necessary experience and expertise to deliver the Group's strategy.	An executive director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of base salary, the Committee considers: – pay increases for other colleagues; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant director; and – the economic environment. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in their role. In such cases subsequent increases in base salary may be higher than the general rises for colleagues until the target positioning is achieved.	There is no set maximum increase; however, any increases will normally be no higher than the increase awarded to the overall colleague population. A greater salary increase may be appropriate in certain circumstances, such as a new appointment made on a salary below a market competitive level, where phased increases are planned, or where there has been an increase in the responsibilities of an individual. Where increases are awarded in excess of the wider colleague population, the Committee will provide an explanation in the relevant Annual Report on Remuneration. The Committee ensures that maximum base salary levels are positioned in line with companies of a similar size to Vanquis Banking Group and validated against an appropriate comparator group, so that they are competitive against the market. The Committee intends to review the comparators each year and will add or remove companies from the groups as it considers appropriate. In general, base salary increases for executive directors will be in line with the increase for colleagues. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity). The Company will set out in the section headed Implementation of Directors' Remuneration Policy, in the following financial year, the salaries for that year for each of the executive directors.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
RBA To deliver a level of fixed pay required to be commensurate with the role, skills and experience of the executive directors and to maintain a competitive total remuneration package reflecting an appropriate mix of fixed and variable pay in line with regulatory requirements.	RBAs are non-pensionable and will be released in equal instalments over a minimum of three years in the form of shares.	The maximum value of an RBA for an individual is 25% of base salary. It should be noted that currently it is only proposed that the CEO will have an RBA of 15% of base salary.	Linked to base salary. No recovery provisions apply.
Pension Provides a fair level of pension provision for all colleagues.	The Company provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice. Pension contributions will be a non-consolidated allowance and will not impact any incentive calculations.	The maximum value of the pension contribution allowance for executive directors will be aligned to that of the wider workforce (currently 10% per annum). Where there is any change to this rate then the executive directors will be entitled to receive the same contribution, or cash equivalent payment, which, for the avoidance of doubt, could be more than 10% of salary. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the pension contributions for that year for each of the executive directors.	No performance or recovery provisions applicable.
Benefits Provides a market standard level of benefits.	Benefits include market standard benefits. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits which are available to other colleagues on broadly similar terms may therefore be offered such as relocation allowances on recruitment.	The maximum is the cost of providing the relevant benefits which includes pension allowance, car allowance, life assurance, permanent health insurance and medical insurance.	No performance or recovery provisions applicable.

Proposed Directors' Remuneration Policy continued

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Annual Bonus Plan The Annual Bonus Plan provides a significant incentive to the executive directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus Plan supports the Company's objectives allowing the setting of annual targets based on the business strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary. The Company will set out in the section headed Implementation of the Directors' Remuneration Policy, in the following financial year, the nature of the targets and their weighting for each year. Details of the performance measures, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the Deferred Share Bonus Plan element. The minimum level of deferral is 40% of the bonus; however, the Committee may determine that a greater portion or in some cases the entire bonus be paid in deferred shares. The main terms of these awards are: – minimum deferral period of three years; – deferred bonus will vest in equal amounts over the three-year period; and – the participant's continued employment at the end of the deferral period unless he/she is a good leaver. Where regulations prevent the payment of dividend equivalents over the vesting period, the number of shares awarded will be calculated by reference to a discounted share price reflecting the lack of entitlement to dividends or dividend equivalents. In such circumstances, the Committee has discretion to reduce (not increase) the number of shares that vest if actual dividends paid over the period are materially lower than the original dividend assumption.	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary. Percentages of bonus maximum typically earned for different levels of performance are: – minimum: 0%; – threshold: up to 25%; – target: 50%; and – maximum: 100%.	The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity. The Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Committee believes that the bonus outcome is not a fair and accurate reflection of business, individual and wider Company performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned resulting from the application of the performance measures. Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Remuneration Report. The Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any pay-outs under the annual bonus. Both the Annual Bonus Plan and the DBP contain malus provisions. In addition, the Annual Bonus Plan contains clawback provisions. Further detail is set out in the Malus and clawback table on page 146.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Restricted Share Plan (RSP) Awards are designed to incentivise the executive directors over the longer term to successfully implement the Company's strategy.	Awards are granted annually to executive directors in the form of conditional awards or options. Awards vest at the end of a three-year period subject to: – the executive director's continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the executive directors. Upon vesting, sufficient shares may be sold to pay tax on the shares. Where regulations prevent the payment of dividend equivalents over the vesting period, the number of shares awarded will be calculated by reference to a discounted share price reflecting the lack of entitlement to dividends or dividend equivalents. In such circumstances, the Committee has discretion to reduce (not increase) the number of shares that vest if actual dividends paid over the period are materially lower than the original dividend assumption. Authority is given for the Committee to make minor amendments to the Restricted Share Plan to ensure compliance with any regulatory changes the Company may become subject to over the life of the Policy.	Maximum value of 100% of base salary per annum based on the market value at the date of grant set in accordance with the rules of the RSP. There are no performance conditions on grant; however, the Remuneration Committee will consider prior year business and personal performance to determine whether the level of grant remains appropriate.	No specific performance conditions are required for the vesting of restricted shares but there will be an underpin as the Committee will have the discretion to adjust vesting, taking into account business, individual and wider Company performance. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting: – whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the restricted shares; – whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually; – whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually; – the potential for windfall gains; – the level of colleague and customer engagement over the period; and – the level of achievement of our approach to ESG as set out by the Board. The Committee retains discretion to change the factors being considered. Awards are subject to clawback and malus provisions. Further detail is set out in the Malus and clawback table below.

The Committee will operate the Bonus Plan and the RSP within the Policy detailed above and in accordance with their respective rules. In relation to the discretions included within the Plan rules, these include, but are not limited to: (i) who participates in the Plans; (ii) testing of the relevant performance targets; (iii) undertaking an annual review of performance targets and weightings; (iv) the determination of the treatment of leavers in line with the Plan rules; (v) adjustments to existing performance targets and/or Share awards under the Plans if certain relevant events take place (e.g. a capital restructuring, a material acquisition/divestment, etc.) with any such adjustments to result in the revised targets being no more or less challenging to achieve; and (vi) dealing with a change of control.

In addition to the operational discretions that the Committee can exercise in the performance of its duties (including those set out in the Plan rules), the Committee reserves the right to make either minor or administrative amendments to the Policy to benefit its operation or to make more material amendments in order to comply with new laws, regulations and/or regulatory guidance. The Committee would only exercise this right if it believed it was in the best interests of the Company to do so and where it is not possible, practicable or proportionate to seek or await shareholder approval in a General Meeting.

Legacy remuneration arrangements

All variable remuneration arrangements previously disclosed in prior years' Directors' Remuneration Reports will remain eligible to vest or become payable on their original terms and vesting dates, subject to any related clawback provisions.

Shareholding requirement

The Committee already has in place strong shareholding requirements (as a percentage of base salary) that encourages executive directors to build up their holdings over a five-year period. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of executive directors and those of shareholders are closely aligned. In addition, executive directors will be required to retain 50% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (percentage of base salary)
Executive directors	200%

Malus and clawback

Malus is the adjustment of the Bonus Plan payments or unvested long-term incentive awards (including RSP awards) or the imposition of additional conditions because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the Bonus Plan or vested long-term incentive awards (including RSP awards) as a result of the occurrence of one or more circumstances listed below.

Clawback may apply to all or part of a participant's payment under the Bonus Plan, RSP or LTIS award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses. The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any vesting condition or condition in respect of an award under the Plan was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Committee is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant;
- failure of risk management including but not limited to a material breach of risk appetite and regulatory standards;
- material downturn in business performance as determined by the Committee; or
- corporate failure.

	Annual bonus (cash)	Annual bonus (deferred shares)	Restricted shares
Malus	Up to the date of the cash payment.	To the end of the three-year vesting period.	To the fifth anniversary of the award date.
Clawback	Two years post the date of any cash payment. The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation.	Clawback applies for a period of seven years, extendable up to one year. The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation.	Two years following the fifth anniversary of the award date. The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation.

The Committee believes that the rules of the Plans provide sufficient powers to enforce malus and clawback where required.

Loss of Office Policy

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Company whilst applying the following philosophy.

<table>
<tr><th>Remuneration element</th><th colspan="3">Treatment on cessation of employment</th></tr>
<tr><td>General</td><td colspan="3">The Committee will honour executive directors’ contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its directors or colleagues, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an executive director’s office or employment.</td></tr>
<tr><td>Salary, RBA, benefits and pension</td><td colspan="3">These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu (excluding the RBA).</td></tr>
<tr><td rowspan="2">Bonus cash</td><td>Good leaver reason</td><td>Other reason</td><td>Discretion</td></tr>
<tr><td>Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.</td><td>No bonus payable for the year of cessation.</td><td>The Committee has discretion to determine:
– that an executive director is a good leaver. It is the Committee’s intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and
– whether to pro-rate the bonus to time. The Committee’s normal policy is that it will pro-rate bonus for time. It is the Committee’s intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.</td></tr>
</table>

Loss of Office Policy continued

Remuneration element	Treatment on cessation of employment		
	Good leaver reason	Other reason	Discretion
Bonus deferred share awards	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	The Committee has discretion to: – determine that an executive director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – vest deferred shares at the end of the original deferral period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and – determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the executive director's departure.
	Good leaver reason	Other reason	Discretion
Restricted Share Plan For the year of cessation	The award will normally be pro-rated for the period worked during the financial year.	No award for year of cessation.	The Committee discretion to determine: – that an executive director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – whether to pro-rate the Company award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; and – whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based, amongst other factors, on the reason for the cessation of employment.
	Good leaver reason	Other reason	Discretion
Restricted Share Plan Subsisting awards	Awards will be pro-rated to time and will vest on their original vesting dates and remain subject to the holding period.	Unvested awards will be forfeited on cessation of employment. Vested awards will remain subject to the holding period.	The Committee discretion to determine: – that an executive director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; – whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the executive director's departure; – whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based, amongst other factors, on the reason for the cessation of employment; and – whether the holding period for awards applies in part or in full. The Committee will make its determination based, amongst other factors, on the reason for the cessation of employment.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

The following definition of leavers will apply to all the above incentive plans. A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill health;
- injury or disability;
- retirement with agreement of the employing Group company;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of Control Policy

Name of incentive plan	Change of control	Discretion
Cash awards	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case.
Deferred share awards	The number of shares subject to subsisting deferred share awards will vest on a change of control pro-rated for time and performance against any underpins.	The Committee has discretion regarding whether to pro-rate the RSP awards for time. The Committee's normal policy is that it will pro-rate the Restricted Share Awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case. The Committee also has discretion to consider attainment of any underpins.
Restricted shares	The number of shares subject to subsisting RSP awards will vest on a change of control pro-rated for time and performance against any underpins.	The Committee has discretion regarding whether to pro-rate the RSP awards for time. The Committee's normal policy is that it will pro-rate the restricted share awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case. The Committee also has discretion to consider attainment of any underpins.

Recruitment and Promotion Policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the executive directors, as set out in the Directors' Remuneration Policy table. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award. The Company's policy when setting remuneration for the appointment of new directors is summarised in the table below:

Remuneration element	Recruitment policy
Salary, RBA, benefits and pension	Salary, RBA, benefits and pension can be set up to and in line with the policy for existing executive directors. Maximum pension contribution will be aligned to that of the majority of colleagues. The RBA will cease to be an element of our remuneration if the Directors' Remuneration Policy is approved at the 2023 AGM.
Annual bonus	Maximum annual participation will be set in line with the Company's policy for existing executive directors and will not exceed 150% of base salary.
Restricted shares	Maximum annual participation will be set in line with the Company's policy for existing executive directors and will not exceed 100% of base salary for restricted shares.
Maximum variable remuneration	The maximum variable remuneration which may be granted is the sum of the annual bonus and restricted shares award (excluding the value of any buyouts). For the proposed Policy under the Restricted Share Plan, the maximum variable remuneration will be 250% of base salary.
'Buyout' of incentives forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an executive director's previous employment will be calculated taking into account the following: – the proportion of the performance period completed on the date of the executive director's cessation of employment; – the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and – any other terms and conditions having a material effect on their value (lapsed value). The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation policies	In instances where the new executive director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the executive director. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/housing allowance and schooling and will not exceed a period of two years from recruitment.

Where an existing colleague is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing colleague would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the Directors' Remuneration Report for the relevant financial year.

The Company's policy when setting fees for the appointment of a new Chairman or non-executive directors is to apply the policy which applies to current Chair or non-executive directors.

Service contracts and letters of appointments

The Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 12 months following the first year of employment. The non-executive directors of the Company do not have service contracts. The non-executive directors are appointed by letters of appointment. Each independent non-executive director's term of office runs for a three-year period.

The Company follows the UK Corporate Governance Code's recommendation that all directors be subject to annual reappointment by shareholders.

Executive directors

Name	Date of contract	Company notice	Executive notice	Guaranteed payments on change of control or cessation
Malcolm Le May (CEO)	1 February 2018	12 months	12 months	None
Neeraj Kapur (CFO)	1 April 2020	12 months	12 months	None

Terms of appointment of the non-executive directors

Name	Appointment	Date of most recent term	Expected (and actual) date of expiry
Elizabeth Chambers	31 July 2018	30 June 2021	30 June 2024
Paul Hewitt	31 July 2018	30 June 2021	30 June 2024
Angela Knight	31 July 2018	30 June 2021	30 June 2024
Patrick Snowball	21 September 2018	21 May 2022	21 May 2025
Graham Lindsay	1 April 2019	30 June 2022	30 June 2025
Andrea Blance	1 March 2017	27 February 2023	27 February 2026
Margot James	27 July 2020	27 July 2020	28 June 2023

Policy on other appointments

Executive directors are permitted to hold non-executive directorships but may only hold one non-executive directorship in a listed company – and may retain the fees from their appointment, provided that the Board considers that this will not adversely affect their executive responsibilities.

Consideration of employment conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the executive directors and the members of the executive team, the Committee considers a report prepared by the Group Reward Director detailing base pay, benefits and share scheme practice across the Company. The report provides an overview of how colleague pay compares to the market and any material changes during the year and includes detailed analysis of basic pay and variable pay changes within the UK.

While the Company does not directly consult with colleagues as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Company does receive an update and feedback from the broader colleague population on an annual basis using an engagement survey which includes a section relating to remuneration. In addition, the Company receives feedback from the Colleague Engagement Forum.

The Group aims to provide a remuneration package for all colleagues that is market competitive and operates the same core structure as for the executive directors. The Group operates colleague share and variable pay plans, with pension provisions provided for all executive directors and colleagues. In addition, any salary increases for executive directors are expected to be generally in line with those for UK-based colleagues. The Committee annually publishes a section on fairness, diversity and wider workforce considerations as part of the Directors' Remuneration Report.

Andrea Blance
Remuneration Committee Chair
30 March 2023

Financial statements

Contents

Page	Detail
153	Consolidated income statement
153	Consolidated statement of comprehensive income
153	Earnings/(loss) per share
154	Dividends per share
154	Balance sheets
155	Statements of changes in shareholders' equity
157	Statements of cash flows
158	Statement of accounting policies
165	Financial and capital risk management
170	Notes to the financial statements
220	Independent auditor's report
229	Alternative performance measures

Consolidated income statement

For the year ended 31 December

Continuing operations	Note	Group 2022 £m	Group 2021 £m
Interest income	3	**486.9**	473.9
Interest expense	4	**(58.8)**	(53.0)
Net interest income		**428.1**	420.9
Fee and commission income	5	**47.0**	60.3
Fee and commission expense	5	**(2.8)**	(2.9)
Net fee and commission income	5	**44.2**	57.4
Other income and net fair value gains		**8.4**	0.4
Total income		**480.7**	478.7
Impairment charges	13	**(66.1)**	(50.4)
Risk-adjusted income		**414.6**	428.3
Operating costs		**(304.5)**	(286.1)
Profit before taxation from continuing operations	1,6	**110.1**	142.2
Profit before taxation, amortisation of acquisition intangibles and exceptional items	1,6	**126.6**	167.8
Amortisation of acquisition intangibles	19	**(7.5)**	(7.5)
Exceptional items	1	**(9.0)**	(18.1)
Tax charge	7	**(27.8)**	(7.6)
Profit for the year from continuing operations		**82.3**	134.6
Loss after tax from discontinued operations	2	**(4.9)**	(166.7)
Profit/(loss) for the year attributable to equity shareholders		**77.4**	(32.1)

Consolidated statement of comprehensive income

For the year ended 31 December

	Note	Group 2022 £m	Group 2021 £m
Profit/(loss) for the year attributable to equity shareholders		**77.4**	(32.1)
Items that will not be reclassified subsequently to the income statement:			
– actuarial movements on retirement benefit asset	21	**(84.2)**	27.1
– fair value movements transferred to income statement	15	**—**	(5.2)
– tax on items taken directly to other comprehensive income	7	**16.0**	(3.8)
– impact of change in UK tax rate on items in other comprehensive income	7	**5.0**	(6.4)
Other comprehensive (expense)/income for the year		**(63.2)**	11.7
Total comprehensive income/(expense) for the year		**14.2**	(20.4)

Earnings/(loss) per share

For the year ended 31 December

	Note	Group 2022 pence	Group 2021 pence
Basic	8	**30.8**	(12.8)
Diluted	8	**30.5**	(12.8)

The above earnings/(loss) per share is on a Group basis including discontinued operations.

Dividends per share

For the year ended 31 December

	Note	Group 2022 pence	Group 2021 pence
Interim dividend	9	**5**	12
Final dividend	9	**10.3**	–

The total cost of dividends paid in the year was £42.8m (2021: £nil).

Balance sheets

	Note	Group At 31 December 2022 £m	Group At 31 December 2021 £m	Company At 31 December 2022 £m	Company At 31 December 2021 £m
ASSETS					
Cash and cash equivalents	12	**464.9**	717.7	**4.1**	206.6
Amounts receivable from customers	13	**1,896.1**	1,677.7	**–**	–
Trade and other receivables	14	**50.6**	18.8	**1,197.9**	1,053.2
Investments held at fair value through profit and loss	15	**10.7**	9.1	**–**	–
Current tax asset		**1.8**	–	**–**	–
Property, plant and equipment	16	**8.3**	8.4	**0.9**	1.2
Right of use assets	17	**32.4**	47.9	**12.7**	15.3
Goodwill	18	**71.2**	71.2	**–**	–
Other intangible assets	19	**63.3**	52.3	**2.3**	–
Investment in subsidiaries	20	**–**	–	**207.4**	225.4
Retirement benefit asset	21	**30.7**	112.2	**30.7**	112.2
Derivative financial instruments	22	**11.3**	3.1	**–**	–
Deferred tax assets	23	**14.5**	6.9	**–**	–
TOTAL ASSETS	1	**2,655.8**	2,725.3	**1,456.0**	1,613.9
LIABILITIES AND EQUITY					
Liabilities					
Trade and other payables	24	**62.8**	95.6	**304.3**	386.7
Current tax liabilities		**–**	3.8	**–**	–
Provisions	25	**5.2**	72.1	**0.1**	3.5
Lease liabilities	26	**49.3**	58.9	**16.7**	18.9
Retail deposits	27	**1,100.6**	1,018.5	**–**	–
Bank and other borrowings	27	**815.4**	845.2	**365.8**	395.3
Derivative financial instruments	22	**15.3**	–	**15.3**	–
Deferred tax liabilities	23	–	–	**5.3**	22.6
Total liabilities	1	**2,048.6**	2,094.1	**707.5**	827.0
Equity attributable to owners of the parent					
Share capital	29	**52.6**	52.6	**52.6**	52.6
Share premium		**273.5**	273.3	**273.5**	273.3
Merger reserve		**278.2**	278.2	**280.5**	280.5
Other reserves	31	**12.4**	9.8	**11.6**	9.0
Retained earnings		**(9.5)**	17.3	**130.3**	171.5
Total equity	1	**607.2**	631.2	**748.5**	786.9
TOTAL LIABILITIES AND EQUITY		**2,655.8**	2,725.3	**1,456.0**	1,613.9

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of other comprehensive income. The retained profit for the financial year reported in the financial statements of the Company was £64.1m (2021: £2.7m).

The financial statements on pages 153 to 219 were approved and authorised for issue by the Board of directors on 30 March 2023 and signed on its behalf by:

Malcolm Le May
Chief Executive Officer
Company Number – 668987

Neeraj Kapur
Chief Finance Officer

Statements of changes in shareholders' equity

Group	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2021		52.6	273.2	278.2	14.6	29.1	647.7
Loss for the year		–	–	–	–	(32.1)	(32.1)
Other comprehensive income/(expense):							
– actuarial movements on retirement benefit asset	21	–	–	–	–	27.1	27.1
– fair value movements transferred to income statement	15	–	–	–	(5.2)	–	(5.2)
– tax on items taken directly to other comprehensive income	7	–	–	–	1.4	(5.2)	(3.8)
– impact of change in UK tax rate	7	–	–	–	–	(6.4)	(6.4)
Other comprehensive (expense)/income for the year		–	–	–	(3.8)	15.5	11.7
Total comprehensive expense for the year		–	–	–	(3.8)	(16.6)	(20.4)
Issue of share capital		–	0.1	–	–	–	0.1
Share-based payment charge	30	–	–	–	3.8	–	3.8
Transfer of share-based payment reserve on vesting of share awards		–	–	–	(4.8)	4.8	–
At 31 December 2021		52.6	273.3	278.2	9.8	17.3	631.2
At 1 January 2022		**52.6**	**273.3**	**278.2**	**9.8**	**17.3**	**631.2**
Profit for the year		**–**	**–**	**–**	**–**	**77.4**	**77.4**
Other comprehensive expense:							
– actuarial movements on retirement benefit asset	21	**–**	**–**	**–**	**–**	**(84.2)**	**(84.2)**
– tax on items taken directly to other comprehensive income	7	**–**	**–**	**–**	**–**	**16.0**	**16.0**
– impact of change in UK tax rate	7	**–**	**–**	**–**	**–**	**5.0**	**5.0**
Other comprehensive expense for the year		**–**	**–**	**–**	**–**	**(63.2)**	**(63.2)**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**14.2**	**14.2**
Dividends		**–**	**–**	**–**	**–**	**(42.8)**	**(42.8)**
Purchase of own shares		**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Issue of share capital		**–**	**0.2**	**–**	**–**	**–**	**0.2**
Share-based payment charge	30	**–**	**–**	**–**	**5.1**	**–**	**5.1**
Transfer of share-based payment reserve on vesting of share awards		**–**	**–**	**–**	**(2.5)**	**2.5**	**–**
At 31 December 2022		**52.6**	**273.5**	**278.2**	**12.4**	**(9.5)**	**607.2**

Goodwill arising on acquisitions prior to 1 January 1998 was eliminated against shareholders' funds under UK GAAP and was not reinstated on transition to IFRS. Accordingly, retained earnings are shown after directly writing off cumulative goodwill of £1.6m. In addition, cumulative goodwill of £2.3m has been written off against the merger reserve in previous years.

The rights issue in April 2018 was undertaken through a cash box structure which allowed merger relief to be applied to the issue of shares rather than recording share premium. The full merger reserve is now considered distributable.

Other reserves are further analysed in note 31.

Statements of changes in shareholders' equity continued

Company	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2021		52.6	273.2	280.5	10.0	152.5	768.8
Profit for the year		–	–	–	–	2.7	2.7
Other comprehensive income/(expense):							
– actuarial movements on retirement benefit asset	21	–	–	–	–	27.1	27.1
– tax on items taken directly to other comprehensive income		–	–	–	–	(5.2)	(5.2)
– impact of change in UK tax rate		–	–	–	–	(6.4)	(6.4)
Other comprehensive income for the year		–	–	–	–	15.5	15.5
Total comprehensive income for the year		–	–	–	–	18.2	18.2
Issue of share capital		–	0.1	–	–	–	0.1
Share-based payment charge	30	–	–	–	1.7	–	1.7
Transfer of share-based payment reserve on vesting of share awards		–	–	–	(0.8)	0.8	–
Share-based payment movement in investment in subsidiaries		–	–	–	(1.9)	–	(1.9)
At 31 December 2021		52.6	273.3	280.5	9.0	171.5	786.9
At 1 January 2022		52.6	273.3	280.5	9.0	171.5	786.9
Profit for the year		–	–	–	–	64.1	64.1
Other comprehensive expense:							
– actuarial movements on retirement benefit asset	21	–	–	–	–	(84.2)	(84.2)
– tax on items taken directly to other comprehensive income		–	–	–	–	16.0	16.0
– impact of change in UK tax rate		–	–	–	–	5.0	5.0
Other comprehensive expense for the year		–	–	–	–	(63.2)	(63.2)
Total comprehensive income for the year		–	–	–	–	0.9	0.9
Dividends		–	–	–	–	(42.8)	(42.8)
Purchase of own shares		–	–	–	–	(0.7)	(0.7)
Issue of share capital		–	0.2	–	–	–	0.2
Share-based payment charge	30	–	–	–	2.9	–	2.9
Transfer of share-based payment reserve on vesting of share awards		–	–	–	(1.4)	1.4	–
Share-based payment movement in investment in subsidiaries		–	–	–	1.1	–	1.1
At 31 December 2022		52.6	273.5	280.5	11.6	130.3	748.5

Other reserves are further analysed in note 31.

Statements of cash flows

For the year ended 31 December

		Group		Company	
	Note	2022 £m	2021 £m	2022 £m	2021 £m
Cash flows from operating activities					
Cash (used in)/generated from operations	34	**(144.3)**	240.5	**(106.6)**	(110.9)
Finance costs paid		**(47.2)**	(71.3)	**(30.6)**	(29.7)
Finance income received		**–**	–	**57.2**	51.7
Tax paid		**(13.4)**	(6.1)	**–**	–
Net cash (used in)/generated from operating activities		**(204.9)**	163.1	**(80.0)**	(88.9)
Cash flows from investing activities					
Purchase of intangible assets	19	**(29.2)**	(24.8)	**(2.3)**	–
Purchase of property, plant and equipment	16	**(3.6)**	(1.3)	**–**	–
Proceeds from disposal of property, plant and equipment	16	**–**	3.8	**–**	–
Cash placed on deposit		**–**	–	**(90.0)**	–
Dividends received from subsidiaries	32	**–**	–	**115.3**	88.8
Net cash (used in)/generated from investing activities		**(32.8)**	(22.3)	**23.0**	88.8
Cash flows from financing activities					
Proceeds from bank and other borrowings		**485.5**	746.0	**–**	197.5
Repayment of bank and other borrowings		**(443.9)**	(1,081.5)	**(30.0)**	(175.2)
Loan from subsidiaries		**–**	–	**–**	128.2
Payment of lease liabilities		**(10.8)**	(9.6)	**(2.2)**	(3.0)
Dividends paid to Company shareholders		**(42.8)**	–	**(42.8)**	–
Repayment of loan from subsidiaries		**–**	–	**(70.0)**	–
Purchase of own shares for share awards		**(0.7)**	–	**(0.7)**	–
Proceeds from issue of share capital	29	**0.2**	0.1	**0.2**	0.1
Net cash (used in)/generated from financing activities		**(12.5)**	(345.0)	**(145.5)**	147.6
Net (decrease)/increase in cash, cash equivalents and overdrafts		**(250.2)**	(204.2)	**(202.5)**	147.5
Cash, cash equivalents and overdrafts at beginning of year		**714.1**	918.3	**206.6**	59.1
Cash, cash equivalents and overdrafts at end of year		**463.9**	714.1	**4.1**	206.6
Cash, cash equivalents and overdrafts at end of year comprise:					
Cash at bank and in hand	12	**464.9**	717.7	**4.1**	206.6
Overdrafts (held in bank and other borrowings)	27	**(1.0)**	(3.6)	**–**	–
Total cash, cash equivalents and overdrafts		**463.9**	714.1	**4.1**	206.6

Cash at bank and in hand includes £420.5m (2021: £414.8m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank Limited in accordance with the PRA's liquidity regime.

General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, England BD1 2SU. The Company is listed on the London Stock Exchange.

Basis of preparation

The financial statements of the Group and Company are prepared in accordance with international accounting standards as adopted by the UK, International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments and investments held at fair value through profit and loss.

In assessing whether the Group is a going concern, the directors have reviewed the Group's corporate plan as approved in December 2022, In doing so, the Board reviewed detailed forecasts for the three year period to December 2025 and also considered less detailed forecasts for 2026 and 2027. These higher level outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Group. The assessment included consideration of the Group's principal risks and uncertainties, with a focus on capital and liquidity.

The directors have also reviewed the Group's stress testing projections which are based on a severe but plausible scenario. The stress test scenario envisages that the UK economy enters a period of stagflation in 2023 with inflation rising to approximately 17% and the UK Bank Rate rising to 6%. As a result, the UK unemployment rate rises to approximately 8.5% This shows that the Group is able to maintain sufficient capital headroom above minimum requirements. The directors have reviewed the Group's reverse stress testing projections to the point of non-viability, which concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

The Group and Company's principal accounting policies under IFRS have been consistently applied to all the years presented.

Change in presentation of income statement

In line with our continued repositioning as a specialist banking group, the Group has taken the decision in the current year to change the presentation of our statutory income statement to align with the wider banking industry. All periods presented have been retrospectively re-presented. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or profit and loss in any period presented in the financial statements.

The impact of new standards not yet effective and not adopted by the Group from 1 January 2023

There are no new standards not yet effective and not adopted by the Group from 1 January 2023 which are expected to have a material impact on the Group.

Basis of consolidation

The consolidated income statement, consolidated statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements include the financial statements of the Company and all of its subsidiary undertakings drawn up from the date control passes to the Group until the date control ceases.

Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

All intra-group transactions and balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The accounting policies of subsidiaries are consistent with the accounting policies of the Group.

Interest income

Interest income is earned from credit cards, personal loans and vehicle finance products.

Interest is calculated on credit card advances to customers using the effective interest rate on the daily balance outstanding.

Within vehicle finance and loans, interest income on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value until revenue equal to the loan's original service charge has been fully recognised.

Interest income is recognised on the gross receivable when accounts are in IFRS 9 stages 1 and 2 and on the net receivable for accounts in stage 3. Accounts can only move between stages for interest income recognition purposes at the Group's interim or year-end balance sheet date.

Directly attributable acquisition costs are capitalised as part of receivables and amortised over the life of the loan as a deduction to interest income.

Group interest income excludes value added tax and intra-group transactions.

Company interest income includes intra-group transactions.

Fee and commission income

Fee and commission income is earned from credit cards and is recognised at the time the charges are made to customers on the basis that the performance obligation is complete.

Group fee income excludes value added tax and intra-group transactions.

Other income and net fair value gains

Other income and net fair value gains principally comprises interest received from Vanquis Bank Limited's liquid assets buffer, held in the Bank of England central reserve account, and net fair value gains recognised in relation to the Groups derivative financial instruments.

Interest expense

Interest expense principally comprise the interest on retail deposits, bank and other borrowings, securitisation and, for the Company, intra-group loan arrangements, and are recognised on an effective interest rate basis.

Dividend income

Dividend income is recognised in the income statement when the Company's right to receive payment is established.

Goodwill

All acquisitions are accounted for using the purchase method of accounting.

Goodwill is an intangible asset and is measured as the excess of the fair value of the consideration over the fair value of the acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units which are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the asset to the discounted expected future cash flows from the relevant cash-generating unit. Expected future cash flows are derived from the Company's latest budget projections and the discount rate is based on the Company's risk-adjusted cost of equity at the balance sheet date.

Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less provisions for impairment where required. Impairment provisions reflect the shortfall between the carrying value of the investment with the higher of: (i) fair value less costs to sell; and (ii) value in use of the subsidiary.

Leases

The Group and Company as a lessee

The Group and Company assess whether a contract contains a lease at inception of a contract. A right of use asset and a corresponding liability are recognised with respect to all lease arrangements where it is a lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets (less than £5,000). For these leases, the lease payment is recognised within operating expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the rate implicit in the lease. This rate could not be readily determined; therefore, the incremental borrowing rate has been used. This is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. For Vanquis Bank Limited, this would represent an average retail deposit rate; for all other companies this would be based on the assessment of their funding rate at the time.

The lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- variable lease payments; and
- payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease, using the effective interest rate method, and reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- the lease contract is modified and the modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group or Company did not make any such adjustments during the year.

The right of use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The lease liability and right of use asset are presented as separate line items on the balance sheet. The interest on the lease and depreciation are charged to the income statement and presented within interest expense and operating costs respectively.

The Group and Company as a lessor

Vehicle finance is considered a lessor for its conditional sale agreements to customers; however, both revenue and impairment are accounted for under IFRS 9.

The Group subleases a portion of its office space in London and accounts for it under finance lease.

Other intangible assets

Other intangible assets include acquisition intangibles in respect of the broker relationships at vehicle finance, standalone computer software and development costs of intangible assets across the Group.

The fair value of vehicle finance broker relationships on acquisition of the Moneybarn Group was estimated by discounting the expected future cash flows from vehicle finance core broker relationships over their estimated useful economic life which was deemed to be 10 years. The asset is being amortised on a straight-line basis over its estimated useful life.

Computer software and computer software development assets represent the costs incurred to acquire or develop software and bring it into use. Directly attributable costs incurred in the development of software are capitalised as an intangible asset if the software will generate future economic benefits. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software and computer software development costs are amortised on a straight-line basis over their estimated useful economic life which is generally estimated to be between three and 10 years. The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

Other intangible assets are valued at cost less subsequent amortisation and impairment. Amortisation is charged to the income statement as part of operating costs. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

Amounts receivable from customers
Customer receivables are initially recognised at fair value which represents the amount advanced to the customer plus directly attributable issue costs less an impairment provision for expected losses. The receivables are originated under a business model that intends to collect the contractual cash flows and includes only elements of principal and interest, so are subsequently measured at amortised cost less impairment provisions. The impairment provision recognised is based on the probability of default (PD) within 12 months, the loss given default (LGD) and the exposure at default (EAD).

On initial recognition, all accounts are recognised in IFRS 9 stage 1.

The account moves to stage 2 when a significant increase in credit risk (SICR) becomes evident, such as a missed payment or a significant increase in PD, but has not defaulted. In absence of other factors indicating SICR, this will occur at 30 days past due.

An account moves to stage 3 and is deemed to have defaulted at 90 days past due, when a payment arrangement is initiated, or when other unlikeliness to pay factors arise (like customer bankruptcy proceedings).

Credit cards and personal loans
On inception an expected loss impairment provision is recognised using PD/LGD/EAD models which forecast customer behaviour to calculate losses.

For credit cards, the PD is determined by utilising a customer's behavioural score used for underwriting the credit card. The LGD discounts the exposure at default (EAD) which adjusts the current card balance for future expected spend and interest. It does not include any future credit line increases.

For personal loans, the EAD follows the amortisation schedules of the loan and is adjusted for expected missed payments at point of default.

Following an SICR, evident from a missed monthly payment or a significant increase in PD, lifetime losses are recognised.

A customer is deemed to have defaulted when they become three minimum monthly payments in arrears or they enter a temporary payment arrangement. A customer is written off in the following cycle after becoming six minimum monthly payments in arrears.

Vehicle finance
Losses are recognised on inception of a loan based on the probability of a customer defaulting within 12 months. This is determined with reference to historical customer data and outcomes.

An account moves from stage 1 to stage 2 when there has been a SICR or when the customer is assessed as vulnerable. Lifetime losses are recognised for all accounts in stages 2 and 3.

A customer is deemed to have defaulted when they become three monthly payments in arrears or enter into a forbearance arrangement. Customer agreements which have been terminated, either voluntarily, by the customer settling their agreement early, or through the agreement being default terminated, are also included within stage 3. Cure from stage 3 is limited to some default reasons and for contracts not already terminated.

A customer's debt is written off when it is sold to debt collection agencies.

CCD
Following the wind-down of CCD and the decision to stop collections, all customers' debt was written off in 2021.

Customers under forbearance
Customers are moved to IFRS 9 stage 3 and lifetime losses are recognised for all divisions where forbearance is provided to the customer or alternative payment arrangements are established. Customers under temporary payment arrangements are separately identified according to the type of arrangement. The carrying value of receivables under each type of payment arrangement is calculated using historical cash flows under that payment arrangement, discounted at the original effective interest rate.

Macroeconomic scenarios
Macroeconomic provisions are part of the core model and are recognised to reflect the expected impact of future economic events on a customer's ability to make payments on their agreements and the losses which are expected to be incurred given default.

The provisions consider the relationship between hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), debt to income ratio and default rates.

Property, plant and equipment
Property, plant and equipment is shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable values over their useful economic lives.

The following principal bases are used:

	%	Method
Land	Nil	–
Leasehold improvements	Over the lease period	Straight line
Equipment (including computer hardware)	10 to 33 1/3	Straight line
Motor vehicles	25	Reducing balance

Property, plant and equipment continued

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment, other than land, are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Land is subject to an annual impairment test. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell. Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying value of the asset and are recognised within operating costs in the income statement.

Depreciation is charged to the income statement as part of operating costs.

Investments

Investments held at fair value through profit and loss

Visa Inc shares are measured at fair value in the balance sheet as a reliable estimate of the fair value can be determined. Valuation adjustments arising as a result of routine mark-to-market revaluation are recognised in the income statement against operating costs.

Fair value changes including any impairment losses and foreign exchange gains or losses are recognised within operating costs in the income statement. The fair value of monetary assets denominated in foreign currency is determined through translation at the spot rate at the balance sheet date.

Dividends on equity instruments are recognised in the income statement when the Group's right to receive the dividends is established.

Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group continues to apply the requirements of IAS 39 to its hedging relationships.

Derivatives are recognised at fair value with changes recognised in the income statement. Hedge accounting allows the derivative to be designated as a hedge of another financial instrument. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand which includes amounts invested in the Bank of England reserve account held in accordance with the Prudential Regulation Authority's (PRA's) liquidity regime. Cash held as part of securitisations is not immediately available due to the terms of the arrangements. Bank overdrafts are presented in borrowings to the extent that there is no right of offset with cash balances.

Intercompany

Expected credit losses on Company intercompany balances are assessed at each balance sheet date. The PDs and LGDs are determined for each loan based on the subsidiary's available funding and cash flow forecasts.

Borrowings

Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Dividends paid

Dividend distributions to the Company's shareholders are recognised in the Group and the Company's financial statements as follows:

- final dividend: when approved by the Company's shareholders at the AGM; and
- interim dividend: when paid by the Company.

Retirement benefits

Defined benefit pension schemes

The charge in the income statement in respect of defined benefit pension schemes comprises the actuarially assessed current service cost of working employees up to when the scheme was closed, together with the interest on pension liabilities offset by the interest on pension scheme assets. All charges are recognised within operating costs in the income statement.

The retirement benefit asset recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of the schemes' assets less the present value of the defined benefit obligation at the balance sheet date. A retirement benefit asset is recognised to the extent that the Group and Company have an unconditional right to a refund of the asset or if it will be recovered in future years as a result of reduced contributions to the pension scheme.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement.

Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Merger reserve

The rights issue completed in 2018 was transacted through a 'cash box' structure. The proceeds would ordinarily be recognised as share capital and share premium. However, as the proceeds were generated through a cash box structure, the proceeds are held as share capital and a merger reserve.

The share capital generated is in line with the 20 8/11p par value of the shares with the additional amounts credited to the merger reserve. All fees were recognised on an accruals basis and deducted from the merger reserve with the net credit being deemed distributable, subject to the capital injected into Vanquis Bank Limited. Following the transfer of Vanquis Bank Limited to Provident Financial Holdings Limited in December 2020 the full merger reserve of £278.2m is now considered distributable.

Share-based payments

Equity-settled schemes

The Company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Deferred Bonus Plan (DBP), the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP) and the Company Share Option Plan (CSOP). All of these schemes are equity settled.

The cost of providing options and awards to Group and Company employees is charged to the income statement of the entity over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity. The grant by the Company of options and awards over its equity instruments to the employees of subsidiary undertakings is treated as an investment in the Company's financial statements. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding adjustment to the share-based payment reserve within equity.

The cost of options and awards is based on their fair value. A binomial model is used for calculating the fair value of SAYE options which have no performance conditions attached and the RSP for which vesting is based on the discretion of the Remuneration Committee. No charge has been recognised for the CSOP as it is linked to the RSP awards granted at the same time. Any gains made by an employee in relation to the CSOP reduces the number of shares exercisable under the RSP award.

The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For LTIS schemes, performance conditions are based on EPS, total shareholder return (TSR) versus a peer group and risk metrics. Employees of credit cards, personal loans, vehicle finance and CCD also have targets relating to profit before tax of their division. The fair value of awards is determined using a combination of the binomial and Monte Carlo option pricing models. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting. Where the Monte Carlo option pricing model is used to determine fair value of the TSR component, no adjustment is made to reflect expected or actual levels of vesting as the probability of the awards vesting is taken into account in the initial calculation of the fair value of the awards.

Cancellations by employees of contributions to the Group's SAYE plans are treated as non-vesting conditions and the Group recognises, in the year of cancellation, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period.

Modifications are assessed at the date of modification and any incremental charges are recognised in the income statement.

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest, lapse or are cancelled. In respect of the SAYE options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

Taxation

The tax charge represents the sum of current and deferred tax.

Current tax

Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote.

Exceptional items

Exceptional items are items which the directors consider should be disclosed separately to enable a full understanding of the Group's results. An exceptional item needs to meet at least two of the following criteria:

- the financial impact is material;
- it is one-off and not expected to recur; and
- it is outside the normal course of business.

Examples include, but are not limited to, costs arising from redundancy, acquisition or restructuring activities. The Audit Committee and Board may also apply judgement to determine whether an item should be classified as an exceptional item and be an allowable adjustment to a statutory measure.

Critical accounting judgements and key sources of estimation uncertainty

In applying the accounting policies set out above, the Group and Company make judgements (other than those involving estimates) that have a significant impact on the amounts recognised and to make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates and judgements are based on historical experience; actual results may differ from these estimates.

In preparing the financial statements the Group and Company has considered the impact of the quantitative scenario analysis, using the Representative Concentration Pathways (RCPs) which are adopted by the Intergovernmental Panel on Climate Change (IPCC), and climate-related risks on financial performance set out on pages 40 to 49. Whilst the effects of climate change represent a source of uncertainty, there has not been a material impact on any financial judgements and estimates due to the physical and transition climate-related risks in the short to medium term.

Amounts receivable from customers (note 13)
Group: £1,896.1m (2021: £1,677.7m)

Critical accounting judgements

The Group reviews amounts receivable from customers for impairment at each balance sheet date. For the purposes of assessing the impairment, customers are categorised into IFRS 9 stages and cohorts which are considered to be the most reliable indication of future payment performance. The determination of expected credit losses involves complex modelling techniques and requires management to apply significant judgements to calculate expected credit losses. The most critical judgements are outlined below.

The determination of the significant increase in credit risk (SICR) thresholds to be used in the models for credit card, vehicle finance and personal loans require management judgement to optimise the performance and therefore effectiveness of the staging methodology. Assessments are made to determine whether there is objective evidence of a SICR which indicates whether there has been an adverse effect on Probability of Default (PD). A SICR for customers is when there has been a significant increase in behavioural score or when one contractual monthly payment has been missed. During the year, the Group refreshed SICR threshold parameters in the credit cards provisioning model to better reflect the evolving receivables mix following a refocus onto lower risk market segments; this led to a release of c.£50m.

For the purpose of IFRS 9, default is assumed when three contractual repayments have been missed.

The Group's impairment models are subject to periodic monitoring, independent validation and back testing performed on model components (where appropriate), including probability of default, exposure at default and loss given default to ensure management judgements remain appropriate.

Limitations in the Group's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management makes appropriate adjustments to the Group's allowance for impairment losses to ensure that the overall provision adequately reflects all material credit risks. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters, at account level, through to more qualitative post-model overlays. Those changes applied to model inputs and parameters are deemed to be in-model overlays; more qualitative changes that have a higher degree of management judgement are deemed to be post-model overlays. All adjustments are reviewed quarterly and are subject to internal review and challenge to ensure that amounts are appropriately calculated.

During the Covid-19 period, an economic environment which differed significantly from the historical economic conditions upon which the impairment models had been built, there was a greater need for management judgement to be applied in determining appropriate post-model adjustments. The Group has subsequently released all Covid-19 related post-model overlays.

Management has placed a significant focus on the cost of living crisis and post-model overlays are recognised across all products. However, credit performance across the Group remains stable and internal analysis shows no obvious signs of stress from the cost of living crisis at this stage. The Group's customers are more agile in managing their finances during times of affordability constraints. A significant proportion of the Groups customers are also expected to benefit from wage increases during 2023 which will help alleviate financial stress.

Management judgement has been used to determine appropriate amounts to be held as cost of living post-model overlays taking into account the total level of provisioning held across the portfolio including the macroeconomic provision. Scenario modelling techniques have been used to support the amount of post-model overlays recognised for a potential cost of living impact.

A breakdown of the in-model and post-model overlays is included within note 13.

Macroeconomic impairment provision adjustments are recognised in the core model to reflect an increased PD, based on future macroeconomic scenarios.

These provisions reflect the potential for future changes in hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), and debt to income ratio.

The provision reflects the potential for future changes under a range of forecasts, as analysis has clearly evidenced correlation between hazard rates, debt to income ratios and credit losses incurred.

Critical accounting judgements and key sources of estimation uncertainty continued

Amounts receivable from customers (note 13)
Group: £1,896.1m (2021: £1,677.7m) continued

Critical accounting judgements continued

Management judgement was required to determine the appropriate macroeconomic indicators to be used in the model by assessing their correlation with credit losses incurred by the business. Unemployment is judged to be a key macroeconomic indicator as analysis has clearly evidenced correlation between changes in unemployment and credit losses incurred by the business. This will continue to be analysed to assess if there are any additional macroeconomic indicators which also correlate to credit losses.

Key sources of estimation uncertainty

The level of impairment recognised is calculated using models which utilise historical payment performance to generate the estimated amount and timing of future cash flows from each cohort of customers in each arrears stage. The models are regularly monitored to ensure they retain sufficient accuracy. Sensitivity analysis has been performed in note 13 which shows the impact of a 1% movement of gross exposure into stage 2 from stage 1 on the allowance accounts.

The unemployment data used in the macroeconomic provisions has been compiled from a consensus of sources including the Bank of England, HM Treasury, the Office for Budget Responsibility (OBR), Bloomberg and a number of prime banks. These estimates are used to derive base case, upside, downside and severe scenarios.

The table below shows the scenario five-year peak and average unemployment assumptions adopted and the weightings applied to each. The weightings have remained consistent with prior year.

Scenario for year ended 2022	Base	Upside	Downside	Severe
Weighting	50%	10%	35%	5%
2023	4.1%	3.4%	4.2%	4.6%
2024	4.7%	3.6%	5.8%	7.4%
2025	4.8%	4.3%	6.3%	8.2%
2026	4.8%	4.5%	5.5%	6.8%
2027	4.8%	4.5%	5.1%	6.0%
Five-year peak	4.8%	4.5%	6.5%	8.6%

Scenario for year ended 2021	Base	Upside	Downside	Severe
Weighting	50%	10%	35%	5%
2022	4.6%	4.2%	5.4%	6.3%
2023	4.3%	3.9%	6.4%	8.5%
2024	4.3%	4.1%	5.9%	7.5%
2025	4.3%	4.1%	5.3%	6.2%
2026	4.3%	4.1%	4.9%	5.4%
Five-year peak	4.8%	4.7%	6.5%	8.6%

Weightings applied to the macroeconomic assumptions were reviewed and reconfirmed at the December 2022 Assumptions Committee meeting and remain unchanged from December 2021.

Sensitivity analysis has been performed on the weightings which show that changing the weightings for vehicle finance and personal loans would not have a material impact on the allowance account.

For credit cards, increasing the downside weighting by 5%, from 35% to 40%, and a corresponding reduction in the base case would increase the allowance account by £0.1m. Increasing the upside weighting by 5%, from 10% to 15%, and a corresponding reduction in the base case would decrease the allowance account by £0.3m.

The impact on the 2022 allowance for credit cards, if each of the macroeconomic scenarios were applied at 100% weighting, rather than the weightings set out above, is shown below:

	Base £m	Upside £m	Downside £m	Severe £m
Credit cards	(0.6)	(6.0)	1.8	5.5

Whilst the forward-looking nature of IFRS 9 requires provisions to be established for all losses arising, the level of uncertainty may mean that the Group's provision levels may change in future periods.

Retirement benefit asset (note 21)
Group and Company: £30.7m (2021: £112.2m)

Key sources of estimation uncertainty:

- The valuation of the retirement benefit asset is dependent upon a series of assumptions, the key assumptions being mortality rates and the discount rate applied to liabilities. The most significant assumption which could lead to material adjustment is a change in discount rates.
- Discount rates are based on the market yields of high-quality corporate bonds which have terms closely linked with the estimated term of the retirement benefit obligation. Mortality estimates are based on standard mortality tables, adjusted where appropriate to reflect the Group's own expected experience.

Sensitivity analysis of the Group's main assumptions is set out in note 21.

Financial risk management

The Group's activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk and market risk. The objective of the Group's Risk Management Framework is to identify and assess the risks facing the Group and to minimise the potential adverse effects of these risks on the Group's financial performance. Financial risk management is overseen by the Risk Committee.

Further details of the Group's Risk Management Framework are described on pages 54 to 65.

(a) Credit risk

Credit risk is the risk that the Group will suffer loss in the event of a default by a customer, a bank counterparty or the UK Government. A default occurs when the customer or bank fails to honour repayments as they fall due.

(i) Amounts receivable from customers

The Group's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2022 is the carrying value of amounts receivable from customers of £1,896.1m (2021: £1,677.7m).

The Risk Committee is responsible for setting the credit policy.

The CRO is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy. The CRO discharges and informs this decision making through the Credit Committee.

The Group Credit Committee meets at least 10 times a year.

A customer's risk profile and credit line are evaluated at the point of application and, for revolving limits, at various times during the agreement. Internally generated scorecards based on historical payment patterns and other behavioural characteristics of customers are used to assess the applicant's potential default risk and their ability to manage a specific credit line. For new customers, the scorecards incorporate data from the applicant and sourced from external credit bureaux. Certain policy rules including customer profile, proposed loan size and vehicle type (where applicable) are also assessed in the decisioning process, as well as affordability checks to ensure that, at the time of application, the loan repayments are affordable. For existing customer lending, the scorecards also incorporate data on actual payment performance and product utilisation, together with data sourced from an external credit bureau each month to refresh customers' payment performance position with other lenders. Credit lines can go up as well as down according to risk assessment.

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing and retaining use of the vehicle. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer, then an appropriate exit strategy is implemented.

(ii) Bank and government counterparties

The Group's maximum exposure to credit risk on bank and government counterparties as at 31 December 2022 was £508.6m (2021: £724.2m).

Counterparty credit risk arises as a result of cash deposits and collateral placed with banks and central governments and derivative contracts that are currently assets.

Counterparty credit risk is managed by the Group's Assets and Liabilities Committee (ALCO) and is governed by a Board-approved Counterparty Policy which ensures that the Group's cash deposits and derivative financial instruments are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the Group's regulatory capital base in line with the Group's regulatory reporting requirements on large exposures to the PRA.

(b) Liquidity risk

Liquidity risk is the risk that the Group (including Vanquis Bank Limited (Vanquis Bank) and the Non-Bank entities (Non-Bank Group)) will have insufficient liquid resources available to fulfil its operational plans and to meet its financial obligations as they fall due.

Liquidity risk is managed on a day-to-day basis by the Treasury function, under the supervision of ALCO and in accordance with a Board-approved Group Funding and Liquidity Policy, which is designed to ensure that the Group is able to continue to fund the growth of the business. The overall responsibility for the management of liquidity risk rests with ALCO, which makes recommendations for the Group's liquidity policy for Board approval. ALCO monitors liquidity risk metrics within limits set by the Board, including meeting regulatory requirements.

As an authorised deposit taker, the liquidity position of Vanquis Bank Limited, the Group's banking subsidiary, is also managed on a standalone basis. Vanquis Bank is a PRA-regulated institution and is primarily funded via retail deposits. It is required to maintain a liquid assets buffer to meet daily stress tests which are designed to determine its liquidity adequacy requirements to fulfil its operational plans and meet its financial obligations as they fall due, even in stressed conditions. It also maintains an operational buffer over such requirements in line with its risk appetite. The amount of liquidity held by Vanquis Bank Limited is calculated based on the Internal Liquidity Adequacy Assessment Process (ILAAP) undertaken by the Group and Vanquis Bank.

The ILAAP determines the liquid resources that must be maintained by Vanquis Bank Limited to meet the Overall Liquidity Adequacy Rule (OLAR) and to ensure that it can meet its liabilities as they fall due. It is based on an analysis of its business as usual forecast cash requirements but also considers their predicted behaviour in stressed conditions. In recognition of the waiver received in November 2022, allowing Vanquis Bank Limited to fund the vehicle finance business, the ILAAP also includes an assessment of the liquidity needs of the wider Non-Bank Group.

Financial risk management continued

(b) Liquidity risk continued

As at 31 December 2022, the liquid assets buffer, including other liquid resources and the operational buffer, held by Vanquis Bank, in cash and cash equivalents amounted to £420.5m (2021: £414.8m), including £90m of intra-group funds placed on demand deposit with Vanquis Bank by the Non-Bank Group (2021: £nil). The Non-Bank Group also has access to headroom on its committed borrowing facilities, which is primarily intended to support growth of the vehicle finance business. As at 31 December 2022, the Group's committed borrowing facilities including retail deposits had a weighted average period to maturity of 2.0 years (2021: 2.5 years) and the headroom on its committed facilities amounted to £50.0m (2021: £110.0m).

Both the Group and Vanquis Bank are required to monitor and report the liquidity coverage ratio (LCR) to the PRA on a consolidated and solo basis respectively. The LCR requires institutions to match net liquidity outflows during a 30 day period with a buffer of 'high-quality' liquid assets, to a minimum of 100%. The Group's LCR at 31 December 2022 amounted to 1,139% (2021: 2,073%) and Vanquis Bank's LCR was 348% (2021: 587%).

Historically, the Non-Bank Group's funding strategy was to maintain sufficient available funds and committed facilities to pre-fund its liquidity and funding requirements for at least the next 12 months. On 1 November 2022, Vanquis Bank received notice from the PRA that it has approved its application for a Core UK Group large exposure waiver which enables Vanquis Bank to use its retail deposit funding to lend to its sister subsidiary, Moneybarn No.1 Limited, the Group's vehicle finance subsidiary, with immediate effect. This enables the transition to a traditional bank funding model in which the Group maintains access to diversified sources of funding comprising: (i) retail deposits; (ii) securitisation of the cards and vehicle finance books; (iii) liquidity and funding facilities at the Bank of England; and (iv) access to wholesale market funding and debt capital via its EMTN programme. The Group will continue to explore further funding options as appropriate including, but not limited to, further diversifying the retail deposit funding mix through more cost-effective behaviouralised deposits and ISAs, and further securitisation issuance in the private or public markets.

The Group continues to adopt a prudent approach to managing its funding and liquidity resources within risk appetite, and will optimise these resources when new opportunities become available to the Group. A maturity analysis of the undiscounted contractual cash flows of the Group's bank and other borrowings is shown on page 166.

This reflects both the interest payable and the repayment of the borrowing on maturity.

Financial liabilities

2022 – Group	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Retail deposits	–	602.3	322.5	214.7	–	1,139.5
Bank and other borrowings:						
– bank facilities	1.0	–	–	–	–	1.0
– senior public bonds	–	107.7	–	–	–	107.7
– securitisation	–	122.5	178.4	–	–	300.9
– retail bonds	–	63.1	–	–	–	63.1
– Tier 2 capital	–	17.8	17.8	53.3	288.8	377.7
– TFSME	–	1.3	1.3	175.3	–	177.9
Total borrowings	1.0	914.7	520.0	443.3	288.8	2,167.8
Trade and other payables	–	62.8	–	–	–	62.8
Lease liabilities	–	11.1	10.2	18.5	14.2	54.0
Derivative financial instruments	–	9.1	6.1	1.2	–	16.4
Total	1.0	997.7	536.3	463.0	303.0	2,301.0

2021 – Group	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Retail deposits	–	409.1	361.4	272.7	–	1,043.2
Bank and other borrowings:						
– bank facilities	3.6	30.0	–	–	–	33.6
– senior public bonds	–	8.3	107.7	–	–	116.0
– securitisation	–	7.9	114.9	174.0	–	296.8
– retail bonds	–	3.1	63.1	–	–	66.2
– Tier 2 capital	–	17.8	17.8	53.3	306.5	395.4
– TFSME	–	1.3	1.3	176.6	–	179.2
Total borrowings	3.6	477.5	666.2	676.6	306.5	2,130.4
Trade and other payables	–	95.6	–	–	–	95.6
Lease liabilities	–	10.6	10.5	26.0	18.8	65.9
Total	3.6	583.7	676.7	702.6	325.3	2,291.9

The unutilised credit card commitments are included in note 13.

Financial risk management continued
(b) Liquidity risk continued
Financial liabilities continued

2022 – Company	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Bank and other borrowings:						
– bank facilities	–	–	–	–	–	–
– senior public bonds	–	107.7	–	–	–	107.7
– retail bonds	–	63.1	–	–	–	63.1
– Tier 2 capital	–	17.8	17.8	53.3	288.8	377.7
Total borrowings	–	188.6	17.8	53.3	288.8	548.5
Trade and other payables	–	304.3	–	–	–	304.3
Lease liabilities	–	4.4	3.6	5.1	5.7	18.8
Derivative financial instruments	–	9.1	6.1	1.2	–	16.4
Total	–	506.4	27.5	59.6	294.5	888.0

2021 – Company	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Bank and other borrowings:						
– bank facilities	–	30.0	–	–	–	30.0
– senior public bonds	–	8.3	107.7	–	–	116.0
– retail bonds	–	3.1	63.1	–	–	66.2
– Tier 2 capital	–	17.8	17.8	53.3	306.5	395.4
Total borrowings	–	59.2	188.6	53.3	306.5	607.6
Trade and other payables	–	386.7	–	–	–	386.7
Lease liabilities	–	3.6	3.6	8.0	6.5	21.7
Total	–	449.5	192.2	61.3	313.0	1,016.0

Financial risk management continued

(c) Market risk

Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate because of changes in market prices. The Group's exposure to market risk is primarily through interest rate risk. These exposures arise solely through the Group's duration mismatches between its lending and funding activities – the Group's and Bank's corporate policies do not permit it to undertake position taking or to run a trading book of this type, and therefore it does not do so.

Interest rate risk

Interest rate risk is the current or prospective risk to capital or earnings arising from adverse movements in interest rates. The Group's exposure to this risk is a consequence of its lending, deposit taking and other borrowing activities, as some of its financial assets and liabilities bear interest at rates that are linked to an underlying index, such as SONIA or Bank base rate. In contrast, others banking products are fixed, either for a term or their whole lives, referred to as interest rate risk in the banking book (IRRBB).

The principal market-set interest rate used by the Group's and Bank's lenders is the sterling Overnight Index Average (SONIA). The SONIA index tracks the sterling overnight indexed swaps for unsecured transactions in the market. SONIA is the risk-free borrowing rate which is used to set rates for certain borrowings and swaps.

The Group's Risk Management Framework for IRRBB continues to evolve in line with updates in regulatory guidance on methods expected to be used by banks to measure, manage, monitor and control such risks. The Group and Bank will continue to develop the interest rate risk framework to ensure ongoing compliance with the PRA rulebook.

The Group and Bank manage their IRRBB risk through Board-approved risk appetite limits and policies. The Group seeks to minimise the net exposure to changes in interest rates and takes a prudent approach to its risk management. This is achieved through a combination of (i) matching the structure of assets and liabilities naturally where possible; (ii) issuing fixed-rate debt; and (iii) using derivative financial instruments such as interest rate swaps.

Day-to-day management of interest rate risk is the responsibility of the Group's Treasury function, with control and oversight provided by the Asset Liability Committee (ALCO).

The Group has adopted the standard methodology measurement of interest rate risk. The Group measures and monitors the following market risk drivers under the IRRBB framework through which risk exposure may arise:

- repricing, directional and yield curve risk – the risk of loss from a mismatch between the Group and Bank's assets and liabilities and movements in the overall direction of interest rates and relative movement in rate at different maturities on the yield curve;
- basis risk – the risk of loss because of the balance sheet being adversely affected by movements in different index rates;
- prepayment risk – the risk that an asset or liability repays quicker or slower than originally anticipated resulting in a mismatch between product and the natural offset or hedge;
- mark-to-market risk – the risk of volatility in the P&L arising from derivatives which are not in a hedge accounting relationship being mark to market through the P&L; and
- credit spread risk – the risk of loss because of a dislocation in rates between liquidity (within the HQLA) and swaps.

The Group measures these risks through a combination of economic value and earnings-based measures:

- economic value (EV) – a range of parallel and non-parallel interest rate stresses are applied to assess the change in market value from assets, liabilities and off-balance sheet items repricing at different times; and
- net interest income (NII) – impact on earnings from a range of interest rate stresses.

Exposures to structured entities

At 31 December 2022, the Group has in issue two securitisations to diversify its sources of funding. As at the end of 2022, the Group has securitised £885.8m of receivables (2021: £870.5m), in exchange for receiving £275.0m of funding from external sources, and a further £174.0m of funding has been obtained by using retained notes as collateral in the Bank of England's Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME).

The Group holds an exposure to the performance of these vehicles in the form of retained notes and has a contractual right to the variable returns of the vehicles. This risk is limited to the performance of the underlying assets, which have not been derecognised in the financial statements. The Group has no exposure to other contractual risks associated with the vehicles; no additional credit enhancements have been provided beyond the exposure created by the retained notes.

	2022		2021	
Vehicle	Receivables secured £m	Notes in issue £m	Receivables secured £m	Notes in issue £m
Oban-Cards 2021-1 Holdings Limited	520.2	453.1	513.5	453.1
Moneybarn Financing Limited	365.6	368.6	357.0	275.0

Capital risk management

To support the delivery of the Group's Purpose, the Group operates a financial model that is founded on investing in customer-centric businesses offering attractive returns which aligns an appropriate capital structure focused on optimising shareholder value, in a safe and sustainable manner. The Capital Principal Risk Policy of the Group helps to ensure capital resources are sufficient to support planned levels of growth.

The Group has in place a Capital Principal Risk Policy, which sets out the framework in which the Group aims to maintain a secure funding and capital structure and establishes defined capital risk appetite. Adherence to the policy ensures that the Group maintains minimum capital levels and that the capital held at business division levels is adequate to support the business' underlying requirements and is sufficient to support growth in that business. Internal capital is allocated to business lines and risk categories, calibrated to maximise return on equity while remaining within the risk appetite. The distribution of dividends is aligned with the Group's growth targets, whilst continuing to meet the required capital levels in line with regulatory requirements and internal risk appetite.

The Group is subject to supervision by the PRA on a consolidated basis, as a group containing an authorised bank. For regulatory purposes the Company is designated as a CRR consolidation entity, as defined by the PRA rulebook. As part of this supervision, the regulator will issue a total capital requirement (TCR) setting the amount of regulatory capital which the Group is required to hold at all times, in order to safeguard depositors from loss in the event of severe losses being incurred by the Group. The minimum regulatory capital requirement imposed by the PRA on firms is the sum of the total capital requirement, the combined CRD buffer requirements as applicable and the PRA buffer requirements as applicable. This requirement is set in accordance with the international Basel 3 rules, issued by the Basel Committee on Banking Supervision (BCBS), which, following the implementation of the Financial Services Act 2021 on 1 January 2022, are implemented through the PRA rulebook.

The Group's regulatory capital is monitored by the Board, its Risk Committee and the ALCO, which ensure that appropriate action is taken to ensure compliance with the regulator's requirements. The future regulatory capital requirement is also considered as part of the Group's planning process.

The minimum amount of regulatory capital held by the Group and Vanquis Bank Limited represents the higher of the imposed requirement and their respective internal assessments of minimum capital requirements based upon an assessment of risks facing the Group. The Internal Capital Adequacy Assessment Process (ICAAP) considers all risks facing the business, including credit, operational, counterparty, conduct, pension and market risks, and assesses the capital requirement for such risks in the event of downside stresses should such requirement exceed that set out under the Pillar 1 framework.

The following table reconciles the Group's equity to the regulatory capital resources for the Group.

Regulatory capital (unaudited)	2022 £m	2021 £m
Total equity	607.2	631.2
Regulatory adjustments		
IFRS 9 transitional arrangements[1]	54.2	108.4
Retirement benefit asset	(30.7)	(112.2)
Deferred tax on retirement benefit asset	7.7	28.0
Goodwill	(71.2)	(71.2)
Intangible assets	(63.3)	(52.3)
Deferred tax on intangible asset	3.1	5.0
Foreseeable dividend	(26.1)	(30.4)
Other regulatory adjustments[2]	(2.1)	–
Common Equity Tier 1 capital	478.8	506.5
Tier 2 capital	200.0	200.0
Total regulatory capital	678.8	706.5
Risk-weighted exposures	1,810.8	1,740.6
CET1 ratio	26.4%	29.1%
Total capital ratio	37.5%	40.6%

1 The Group has elected to take advantage of the IFRS 9 transitional arrangements set out in Article 473a of the CRR, which allow the capital impact of expected credit losses to be phased in over the transitional period. Disclosure of the regulatory capital position as if the IFRS 9 transitional relief was not available (the fully loaded basis) is included in the Pillar 3 document, as is required of firms which have elected to take such relief.

2 Other regulatory adjustments relate to Prudent Valuation Adjustments calculated using the 'Simplified Approach' set out in the PRA Rulebook, and any insufficient coverage for non-performing exposures required under Article 47(c) of the CRR (effective 1 January 2022).

Concluding in early 2023, the PRA have conducted a Capital Supervisory Review and Evaluation Process (C-SREP) of the Group's capital requirements, based on the ICAAP approved in September 2022. The outcome is that the Group's Total Capital Requirement own funds requirements has reduced by more than a third, from 18.3% to 11.9%. Including the current regulatory combined buffers of 3.5% (capital conservation buffer of 2.5% and countercyclical buffer of 1.0%), the Group's overall capital requirement has reduced by 6.4% from 21.8% to 15.4% (excluding any confidential buffers, if applicable). The reduction in capital requirements partly reflects the Group's successful repositioning as a specialist banking group focused on lower risk customers, the receipt of the Core UK Group Waiver in November 2022, which enables the Group to leverage its retail deposit funding capabilities to fund its other lending products, and the significant amount of work undertaken to strengthen the Group-wide risk management framework.

Pillar 3 complements Basel's Pillar 1 and Pillar 2 frameworks and seeks to encourage market discipline by developing a set of disclosure requirements which would allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. Pillar 3 disclosures for the Group, for the year ended 31 December 2022, are published as a separate document and are available on the Group's website.

1 Segment reporting

IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The Group's chief operating decision maker is deemed to be the Group ExCo, whose primary responsibility is to support the Chief Executive Officer in managing the Group's day-to-day operations and analyse trading performance. The Group's segments comprise credit cards, vehicle finance, personal loans, CCD (discontinued operations) and Central which are those segments reported in the Group's management accounts used by the Group ExCo as the primary means for analysing trading performance. The Group ExCo assesses profit performance using profit before tax measured on a basis consistent with the disclosure in the Group financial statements.

	Interest income		Fee and commission income		Profit/(loss) before taxation	
Group	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Credit cards	333.2	328.8	47.0	60.3	178.5	173.9
Vehicle finance	140.6	137.9	–	–	38.0	28.9
Personal loans	13.1	7.2	–	–	(15.7)	(8.7)
Central costs	–	–	–	–	(74.2)	(26.3)
Total Group before amortisation of acquisition intangibles and exceptional items	486.9	473.9	47.0	60.3	126.6	167.8
Amortisation of acquisition intangibles (note 19)	–	–	–	–	(7.5)	(7.5)
Exceptional items	–	–	–	–	(9.0)	(18.1)
Total Group – continuing operations	486.9	473.9	47.0	60.3	110.1	142.2
CCD – discontinued operations (note 2)	–	68.0	–	–	(15.3)	(95.5)
CCD – discontinued operations exceptional items (note 2)	–	–	–	–	4.6	(42.6)
Total Group	486.9	541.9	47.0	60.3	99.4	4.1

Acquisition intangibles represent the fair value of the broker relationships of £75.0m which arose on the acquisition of Moneybarn in August 2014. The amortisation charge in 2022 amounted to £7.5m (2021: £7.5m).

Revenue between business segments is not material.

Exceptional items for continuing operations represent a net exceptional charge of £9.0m in 2022 (2021: £18.1m) and comprise:

	2022 £m	2021 £m
Corporate costs including CCD closure	(3.8)	(10.5)
CCD Scheme of Arrangement costs (note 25)	(3.7)	(5.0)
Redundancy costs (note 11)	(1.5)	(1.0)
Costs in respect of the redemption of bonds (note 4)	–	(3.9)
Pension credit (note 21)	–	2.3
Total exceptional items	(9.0)	(18.1)

	Segment assets		Segment liabilities		Net assets/(liabilities)	
Group	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
Credit cards and personal loans	1,795.6	1,639.1	(1,410.7)	(1,264.6)	384.9	374.5
Vehicle finance	762.6	698.3	(589.7)	(592.5)	172.9	105.8
Central	504.8	546.5	(72.7)	(100.5)	432.1	446.0
Continuing operations before intra-group elimination	3,063.0	2,883.9	(2,073.1)	(1,957.6)	989.9	926.3
Discontinued operations	–	0.3	(382.7)	(295.4)	(382.7)	(295.1)
Intra-group elimination	(407.2)	(158.9)	407.2	158.9	–	–
Total Group	2,655.8	2,725.3	(2,048.6)	(2,094.1)	607.2	631.2

The presentation of segment net assets reflects the statutory assets, liabilities and net assets of each of the Group's divisions. This results in an intra-group elimination reflecting the difference between the central intercompany funding provided to the divisions and the external funding raised centrally. Credit cards and personal loans are both recognised within Vanquis Bank Limited and are therefore combined for balance sheet reporting purposes.

1 Segment reporting continued

The Group's businesses operate principally in the UK.

Group	Capital expenditure 2022 £m	Capital expenditure 2021 £m	Depreciation 2022 £m	Depreciation 2021 £m	Amortisation 2022 £m	Amortisation 2021 £m
Credit cards and personal loans	**21.6**	24.8	**1.6**	2.2	**7.1**	5.0
Vehicle finance	**1.7**	1.1	**0.6**	0.8	**0.4**	2.1
Central	**9.5**	—	**0.6**	0.4	**8.5**	7.5
Continuing operations	**32.8**	25.9	**2.8**	3.4	**16.0**	14.6
Discontinued operations	**—**	0.2	**—**	1.5	**—**	3.6
Total Group	**32.8**	26.1	**2.8**	4.9	**16.0**	18.2

Capital expenditure in 2022 comprises expenditure on intangible assets of £29.2m (2021: £24.8m) and property, plant and equipment of £3.6m (2021: £1.3m).

The acquired intangible asset in respect of vehicle finance broker relationships is held on consolidation and, therefore, the amortisation charge has been allocated to Central in the above analysis, consistent with the segment net asset analysis.

2 Discontinued operations

The Group closed its CCD business comprising home credit and Satsuma loans during 2021 and in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' these businesses are presented as discontinued operations.

The results from discontinued operations, which are included in the Group income statement, are set out below.

	2022 £m	2021 £m
Interest income (note 3)	**—**	68.0
Interest expense (note 4)	**(6.2)**	(12.1)
Net interest income	**(6.2)**	55.9
Total income	**(6.2)**	55.9
Impairment charges (note 13)	**—**	(59.6)
Risk-adjusted loss	**(6.2)**	(3.7)
Operating cost:		
– other	**(9.1)**	(91.8)
– exceptional items	**4.6**	(42.6)
Loss before taxation	**(10.7)**	(138.1)
Tax credit/(charge) (note 7)	**5.8**	(28.6)
Loss from discontinued operations	**(4.9)**	(166.7)
Basic loss per share (p)	**(2.0)**	(66.5)
Diluted loss per share (p)	**(2.0)**	(66.5)

During the year the discontinued operations generated cash of £0.1m (2021: used £0.8m) in respect of operating activities, generated £nil (2021: £1.2m) in respect of investing activities and used £0.1m (2021: £2.1m) in respect of financing activities. Discontinued operations cash flows relating to exceptional items were a release of £4.6m (2021: cost £20.2m) in respect of operating activities.

3 Interest income

Interest income is recognised by applying the effective interest rate (EIR) to the carrying value of a loan. The EIR is calculated at inception and represents the rate which exactly discounts the future contractual cash receipts from a loan to the amount of cash advanced under that loan, plus directly attributable issue costs (e.g. aggregator/broker fees).

	Group 2022 £m	Group 2021 £m
Interest income – continuing operations	**486.9**	473.9
Interest income – discontinued operations (note 2)	**—**	68.0
Total interest income	**486.9**	541.9

4 Interest expense

Interest payable on:	Group 2022 £m	Group 2021 £m
Retail deposits	19.6	24.4
Senior public and retail bonds	30.7	23.8
Bank borrowings	–	4.5
Securitisation	13.5	6.8
Lease liabilities finance costs	1.2	1.7
Exceptional cost in respect of the redemption of bonds (note 27)	–	3.9
Total interest expense	65.0	65.1
Interest expense – continuing operations	58.8	53.0
Interest expense – discontinued operations (note 2)	6.2	12.1

Discontinued finance costs included £0.1m (2021: £0.3m) in respect of lease liabilities.

Exceptional costs of £3.9m in 2021 related to the £71.5m tender of the 2018 five-year fixed-rate bond (see note 27(e)) following the Group's successful issuance of Tier 2 capital (see note 27(h)).

5 Net fee and commission income

Fee income is recognised at the time the charges are made to the customer on the basis the performance obligation is complete.

	Group 2022 £m	Group 2021 £m
Fee and commission income	47.0	60.3
Fee and commission expense	(2.8)	(2.9)
Net fee and commission income – continuing operations	44.2	57.4
Total net fee and commission income	44.2	57.4

Fee income predominantly relates to credit cards and reflects default and over-limit fees as well as other ancillary income streams and interchange income.

6 Profit before taxation

Profit before taxation for continuing operations is stated after charging/(crediting):	Group 2022 £m	Group 2021 £m
Amortisation of other intangible assets:		
– computer software (note 19)	8.5	7.1
– acquisition intangibles (note 19)	7.5	7.5
Depreciation of property, plant and equipment (note 16)	2.8	3.4
Loss on disposal of property, plant and equipment (note 16)	0.9	0.1
Loss/(profit) on disposal of intangibles (note 19)	2.2	(0.4)
Depreciation of right of use assets (note 17)	9.3	8.1
Lease liability finance costs (note 4)	1.1	1.4
Impairment of amounts receivable from customers (note 13)	66.1	50.4
Employment costs (prior to exceptional redundancy costs and pension credit (note 11(b))	149.6	122.2
Exceptional items:		
Exceptional costs in relation to corporate costs including CCD closure	3.8	10.5
Exceptional CCD Scheme of Arrangement costs and provision (note 25)	3.7	5.0
Exceptional costs in respect of the redemption of bonds (note 4)	–	3.9
Exceptional redundancy cost (note 11(b))	1.5	1.0
Exceptional pension credit (note 21(a))	–	(2.3)

6 Profit before taxation continued

All of the above activities relate to continuing activities.

Auditor's remuneration	Group 2022 £m	Group 2021 £m
Fees payable to the Company's auditor for the audit of Company and consolidated financial statements	0.4	0.4
Fees payable to the Company's auditor and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	1.3	1.3
– other non-audit services	0.7	1.2
Total auditor's remuneration	2.4	2.9

7 Tax charge

	Group					
	2022			2021		
Tax charge/(credit) in the income statement	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Current tax – UK	14.4	(5.8)	8.6	12.6	(3.3)	9.3
Deferred tax (note 23): UK	10.2	–	10.2	–	31.9	31.9
Impact of change in UK tax rate (note 23)	3.2	–	3.2	(5.0)	–	(5.0)
Total tax charge/(credit)	27.8	(5.8)	22.0	7.6	28.6	36.2

	2022						
	Continuing operations				Discontinued operations		
	Adjusted PBT £m	Exceptional items £m	Amortisation £m	Total £m	Adjusted PBT £m	Exceptional items £m	Total £m
Profit/(loss) on ordinary activities before tax	126.6	(9.0)	(7.5)	110.1	(15.3)	4.6	(10.7)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19%	24.1	(1.7)	(1.4)	21.0	(2.9)	0.9	(2.0)
Effect of:							
– impact of change of UK tax rate (note (a))	3.2	–	–	3.2	–	–	–
– impact of bank corporation tax surcharge (note (b))	8.4	–	–	8.4	–	–	–
– impact of lower tax rates overseas and overseas losses (note (c))	–	–	–	–	(0.1)	(0.1)	(0.2)
– write off of deferred tax assets (note (d))	0.2	–	–	0.2	–	–	–
– adjustments in respect of prior years (note (e))	(4.4)	0.8	–	(3.6)	(6.5)	0.4	(6.1)
– prior year adjustments related to transfer pricing and losses (note (f))	1.0	–	–	1.0	(1.0)	–	(1.0)
– transfer pricing adjustments (note (g))	–	–	–	–	–	–	–
– discount on payment for losses of discontinued operations (note (h))	(3.3)	–	–	(3.3)	3.3	–	3.3
– non-deductible general expenses (note (i))	0.2	0.7	–	0.9	0.6	(0.4)	0.2
	29.4	(0.2)	(1.4)	27.8	(6.6)	0.8	(5.8)

7 Tax charge continued

	2021						
	Continuing operations				Discontinued operations		
	Adjusted PBT £m	Exceptional items £m	Amortisation £m	Total £m	Adjusted PBT £m	Exceptional items £m	Total £m
Profit/(loss) on ordinary activities before tax	167.8	(18.1)	(7.5)	142.2	(95.5)	(42.6)	(138.1)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19%	31.8	(3.4)	(1.4)	27.0	(18.1)	(8.1)	(26.2)
Effect of:							
– impact of change of UK tax rate (note (a))	(5.8)	0.2	0.6	(5.0)	–	–	–
– impact of bank corporation tax surcharge (note (b))	12.3	(0.1)	–	12.2	–	–	–
– impact of lower tax rates overseas and overseas losses (note (c))	–	–	–	–	2.7	0.8	3.5
– write off of deferred tax assets (note (d))	(0.3)	–	–	(0.3)	23.4	–	23.4
– adjustments in respect of prior years (note (e))	0.5	–	–	0.5	0.5	–	0.5
– prior year adjustments related to transfer pricing and losses (note (f))	(7.8)	–	–	(7.8)	7.8	–	7.8
– transfer pricing adjustments (note (g))	(0.6)	–	–	(0.6)	0.6	–	0.6
– discount on payment for losses of discontinued operations (note (h))	(6.5)	–	–	(6.5)	6.5	–	6.5
– reversal of exceptional complaints provision (note (j))	–	(12.4)	–	(12.4)	–	12.4	12.4
– non-deductible general expenses (note (i))	0.1	0.4	–	0.5	0.1	–	0.1
	23.7	(15.3)	(0.8)	7.6	23.5	5.1	28.6

(a) Impact of change of UK tax rate

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. At 31 December 2021, deferred tax balances were remeasured at 25%, and in the case of credit cards and loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (8%) of 33% to the extent that the temporary differences on which deferred tax had been calculated were expected to reverse, or the tax loss was expected to be utilised, after 1 April 2023.

In 2022, further changes were enacted which, with effect from 1 April 2023, reduce the bank corporation tax surcharge rate from 8% to 3% and increase the bank corporation tax surcharge allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m.

To the extent the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2023, deferred tax balances at 31 December 2022 and movements in deferred tax balances during the year have therefore been measured at 25% (2021: 25%) and, in the case of credit cards and personal loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (3%) of 28% (2021: 33%) except to the extent the temporary differences reverse when profits from credit cards and personal loans are expected to be below the bank surcharge threshold, in which case deferred tax balances have been measured at the combined rate of 25% (2021: 33%).

A tax charge of £3.2m (2021: credit of £5.0m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax credit of £5.0m (2021: charge of £6.4m) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income. Of the tax charge of £3.2m (2021: credit of £5.0m) taken to the income statement, £3.2m (2021: £5.0m) relates to continuing operations and £nil (2021: £nil) to discontinued operations.

There was a £nil impact in 2022 (2021: £nil) on discontinued operations from the change in tax rates as no deferred tax balances were recognised in discontinued operations at 31 December 2022 (2021: £nil).

(b) Impact of bank corporation tax surcharge

The adverse impact of the bank corporation tax surcharge amounts to £8.4m (2021: £12.2m) and represents tax at the bank corporation tax surcharge rate of 8% on credit cards and personal loans taxable profits in excess of £25m where taxable profits are calculated ignoring the benefit of losses elsewhere in the Group, including capital losses.

The only entity subject to bank corporation tax surcharge in the Group is Vanquis Bank Limited which sits within continuing operations.

(c) Impact of lower tax rates overseas and overseas losses

Prior to its closure in 2021, the home credit business in the Republic of Ireland was subject to tax at the Republic of Ireland statutory tax rate of 12.5% rather than the UK statutory mainstream corporation tax rate of 19.0%. In 2021, the home credit business in the Republic of Ireland made a loss which can only be relieved against future profits of the business in the Republic of Ireland at the 12.5% statutory rate rather than the 19.0% UK statutory tax rate. In light of the closure of the business, no deferred tax asset was recognised in respect of this loss giving rise to a total adverse impact on the Group tax charge of £3.5m, all of which relates to discontinued operations.

In 2022, no tax liability arises on the release of various provisions and accruals following the closure of the Irish business giving a favourable impact on the tax charge of £0.2m (2021: adverse impact of £3.5m), all of which relates to discontinued operations.

7 Tax charge continued

(d) Write off of deferred tax assets

In 2021 deferred tax assets written off comprised: (a) £23.6m of deferred tax assets related to discontinued operations for which future tax relief was considered unlikely to be available following the closure of the business; net of (b) a deferred tax credit of £0.5m related to the deferred tax asset in respect of share scheme awards which had previously been written off on the basis that future deductions were expected to be lower than previously anticipated. Of the £0.5m deferred tax credit, £0.3m related to continuing operations and £0.2m related to discontinued operations. The £23.6m deferred tax assets related to discontinued operations which were written off in 2021, related to tax losses carried forward and other temporary differences for which, following the closure of the business, it was considered unlikely that future tax relief would be available.

In 2022, the tax charge in respect of deferred tax assets written off amounts to £0.2m and relates to share scheme awards where future deductions are expected to be lower than previously anticipated. It relates entirely to continuing operations.

(e) Adjustments in respect of prior years

The tax credit of £9.7m in respect of prior years (2021: tax charge of £1.0m) comprises: (a) a net release of tax liabilities in respect of prior years of continuing operations of £3.6m following agreement of certain historical tax matters with HMRC; (b) a £7.5m reinstatement of deferred tax assets in respect of certain losses and temporary differences of discontinued operations which were written off in 2021 but for which tax relief is considered to be available in 2022; and (c) a £1.4m tax charge in respect of a reduction in tax losses of the discontinued operations available for group relief in prior years.

In 2021, the £1.0m tax charge in respect of prior years primarily comprised adjustments related to prior year deferred tax on share scheme awards and the impact of resolving historical tax liabilities, of which £0.5m related to discontinued operations and £0.5m related to continuing operations.

(f) Prior year adjustments related to transfer pricing and losses

These comprise a £1.0m credit (2021: £7.8m charge) related to discontinued operations net of a £1.0m charge (2021: £7.8m credit) related to continuing operations and relate to transfer pricing adjustments between the continuing operations and discontinued operations in prior years, as well as adjustments related to prior year tax losses of the discontinued operation which were surrendered as group relief to the continuing operation and which the continuing operation paid for at a discounted price.

(g) Transfer pricing adjustments

In 2021, these comprised a £0.6m credit related to continuing operations and a £0.6m charge related to discontinued operations, and represented the impact of transfer pricing adjustments between the profits of continuing and discontinued operations. They have a £nil overall impact on the tax charge. There are no such adjustments in 2022.

(h) Discount on payment for losses of discontinued operations

This comprises a credit of £3.3m (2021: credit of £6.5m) related to continuing operations and a charge of £3.3m (2021: charge of £6.5m) related to discontinued operations, and relates to tax losses of the discontinued operation which have been surrendered as group relief to the continuing operation and which the continuing operation has paid for at a discounted price. The overall impact on the tax charge is £nil (2021: £nil).

(i) Non-deductible general expenses

In 2022, these primarily comprise: (a) in the case of discontinued operations, costs for which tax deductions may not be available post-closure of the business net of the release of the provision for costs associated with the FCA investigation into affordable lending in CCD, part of which is non-taxable; and (b) in the case of the continuing operations, the cost of certain projects for which it is considered a tax deduction may not be available.

(j) Exceptional complaints provision

In 2021, the release of the exceptional complaints provision in CCD following the implementation of the Scheme of Arrangement gave rise to a tax charge in CCD of £12.4m. As the release of the provision was recognised as part of continuing rather than discontinued operations, this gave rise to a tax reconciling difference in 2021 of £12.4m between continuing and discontinued operations.

These adjustments had a £nil overall impact on the 2021 tax charge.

In 2021, a tax deduction was claimed for the £70m costs of the Scheme of Arrangement incurred by Vanquis Banking Group plc which was also recognised as part of continuing operations.

Tax on exceptional items

The tax charge in respect of exceptional items amounts to £0.6m (2021: tax credit of £10.2m) and comprises a £0.2m credit (2021: £15.3m credit) relating to continuing operations and a £0.8m charge (2021: £5.1m charge) related to discontinued operations.

In 2022:

– The £0.2m tax credit relating to continuing operations represents a tax credit in respect of all exceptional costs of the continuing operations with the exception of certain project costs for which it is considered tax deductions may not be available.

– The £0.8m tax charge relating to discontinued operations represents the tax charge on the release of certain provisions and accruals for which tax deductions were previously claimed with the exception of those relating to the Irish branch which are non-taxable.

In 2021:

– The £15.3m tax credit relating to continuing operations represents: (i) a tax credit in respect of all exceptional costs of the continuing operations with the exception of certain project costs for which it is considered tax deductions may not be available; and (ii) the tax reconciling difference between continuing and discontinued operations referred to in note (j) above.

– The £5.1m tax charge relating to discontinued operations represents the tax reconciling difference between continuing and discontinued operations referred to in note (j) above net of a tax credit for the exceptional closure costs of the discontinued operations with the exception of those costs related to the Irish branch for which no effective tax relief is available.

7 Tax charge continued
(j) Exceptional complaints provision continued
Tax on exceptional items continued

The tax credit/(charge) on items taken directly to other comprehensive income is as follows:

	Group	
Tax credit/(charge) on items taken directly to other comprehensive income	2022 £m	2021 £m
Deferred tax credit on fair value movement in investment	–	1.4
Deferred tax credit/(charge) on actuarial movements on retirement benefit asset	16.0	(5.2)
Tax credit/(charge) on items taken directly to other comprehensive income prior to impact of change in UK tax rate	16.0	(3.8)
Impact of change in UK tax rate	5.0	(6.4)
Total tax credit/(charge) on items taken directly to other comprehensive income	21.0	(10.2)

The tax credit/(charge) on items taken directly to other comprehensive income relates entirely to continuing operations.

8 Earnings/(loss) per share
Basic earnings/(loss) per share (E/LPS) is calculated by dividing the profit/(loss) for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year less the number of shares held by the Employee Benefit Trust which are used to satisfy the share awards such as DBP, PSP, LTIS, RSP and CSOP.

Diluted E/LPS calculates the effect on E/LPS assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

(i) For share awards outstanding under performance-related share incentive schemes such as the Deferred Bonus Plan (DBP) (previously the Performance Share Plan (PSP)), the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP) and the Company Share Option Plan (CSOP), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

(ii) For share options outstanding under non-performance-related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares. The Group also presents an adjusted EPS, prior to the amortisation of acquisition intangibles and exceptional items.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

Reconciliations of basic and diluted E/LPS for continuing operations and the Group are set out below:

	2022			2021		
Continuing operations	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic earnings per share	82.3	250.9	32.8	134.6	250.7	53.7
Dilutive effect of share options and awards	–	2.8	(0.4)	–	1.3	(0.3)
Diluted earnings per share	82.3	253.7	32.4	134.6	252.0	53.4

	2022			2021		
Group	Earnings £m	Weighted average number of shares m	Per share amount pence	Loss £m	Weighted average number of shares m	Per share amount pence
Basic earnings/(loss) per share	77.4	250.9	30.8	(32.1)	250.7	(12.8)
Dilutive effect of share options and awards	–	2.8	(0.3)	–	–	–
Diluted earnings/(loss) per share	77.4	253.7	30.5	(32.1)	250.7	(12.8)

8 Earnings/(loss) per share continued

The directors have elected to show an adjusted earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of vehicle finance in August 2014 (see note 19) and prior to exceptional items (see note 1). This is presented to show the adjusted earnings per share generated by the continuing and Group operations. A reconciliation of continuing and Group basic/diluted earnings/(loss) per share to adjusted basic and diluted earnings/(loss) per share is as follows:

	2022			2021		
Continuing operations	Earnings £m	Weighted average number of shares m	Per share amount pence	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic earnings per share	82.3	250.9	32.8	134.6	250.7	53.7
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.7	–	2.7
Exceptional items, net of tax	8.8	–	3.5	2.8	–	1.1
Adjusted basic earnings per share	97.2	250.9	38.7	144.1	250.7	57.5
Diluted earnings per share	82.3	253.7	32.4	134.6	252.0	53.4
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.7	–	2.7
Exceptional items, net of tax	8.8	–	3.5	2.8	–	1.1
Adjusted diluted earnings per share	97.2	253.7	38.3	144.1	252.0	57.2

	2022			2021		
Group	Earnings £m	Weighted average number of shares m	Per share amount pence	Loss £m	Weighted average number of shares m	Per share amount pence
Basic earnings/(loss) per share	77.4	250.9	30.8	(32.1)	250.7	(12.8)
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.7	–	2.7
Exceptional items, net of tax	5.0	–	2.0	50.5	–	20.1
Adjusted basic earnings per share	88.5	250.9	35.2	25.1	250.7	10.0
Diluted earnings/(loss) per share	77.4	253.7	30.5	(32.1)	252.0	(12.7)
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.7	–	2.7
Exceptional items, net of tax	5.0	–	2.0	50.5	–	20.0
Adjusted diluted earnings per share	88.5	253.7	34.9	25.1	252.0	10.0

9 Dividends

	Group	
	2022 £m	2021 £m
2021 interim – 12p per share	30.1	–
2022 interim – 5p per share	12.7	–
Dividends paid	42.8	–

The directors are recommending a final dividend in respect of the financial year ended 31 December 2022 of 10.3p per share which will amount to an estimated dividend of £26.1m. If approved, this dividend will be paid on 7 June 2023 to shareholders who were on the register of members at 21 April 2023.

10 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	Group and Company	
	2022 £m	2021 £m
Short-term employee benefits	**4.1**	2.6
Share-based payment charge	**1.5**	1.0
Total directors' remuneration	**5.6**	3.6

Short-term employee benefits comprise salary/fees, bonus, benefits earned in the year and pension salary supplements for executive directors.

The share-based payment charge reflects the expected vesting of the Group's share-based incentives.

11 Employee information

(a) Average monthly number of employees in the Group

	2022					2021				
	Credit cards and personal loans	**Vehicle finance**	**Central**	**CCD**	**Group**	Credit cards and personal loans	Vehicle finance	Central	CCD	Group
Full time	**1,195**	**370**	**364**	**—**	**1,929**	1,312	363	132	1,232	3,039
Part time	**176**	**49**	**53**	**—**	**278**	179	49	13	114	355
Total	**1,371**	**419**	**417**	**—**	**2,207**	1,491	412	145	1,346	3,394
Total – continuing operations	**1,371**	**419**	**417**	**—**	**2,207**	1,491	412	145	—	2,048
Total – discontinued operations	**—**	**—**	**—**	**—**	**—**	—	—	—	1,346	1,346

Employees comprise all head office and contact centre employees within credit cards, personal loans and vehicle finance. Central employees represent corporate office employees and executive and non-executive directors employed by the Company. Central employees have increased largely to support the ongoing centralisation of Group functions across Finance, Risk, Legal and HR.

(b) Employment costs

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Aggregate gross wages and salaries paid to the Group's employees	**120.8**	103.1	**25.8**	17.5
Employer's National Insurance contributions	**15.3**	11.3	**3.5**	2.4
Pension charge/(credit), prior to exceptional pension credit	**8.4**	5.3	**1.4**	(0.7)
Share-based payment charge (note 30)	**5.1**	2.5	**2.9**	1.7
Total employment cost prior to exceptional costs	**149.6**	122.2	**33.6**	20.9
Exceptional redundancy cost	**1.5**	1.0	**1.1**	—
Exceptional pension credit (note 21)	**—**	(2.3)	**—**	(2.3)
Total employment costs – continuing operations	**151.1**	120.9	**34.7**	18.6
Employment costs – discontinued operations	**—**	85.0	**—**	—
Total employment costs	**151.1**	205.9	**34.7**	18.6

The pension charge comprises the retirement benefit charge for defined benefit schemes, contributions to the stakeholder pension plan and contributions to personal pension arrangements. The credit in 2021 in the Company for the pension charge represents contributions received from the subsidiaries in relation to the defined benefit schemes, partly offset by the charge in relation to the defined contribution schemes. There were no contributions from subsidiaries in 2022.

The increase in the share-based payment charge from £2.5m in 2021 to £5.1m in 2022 primarily reflects the higher RSP scheme costs in the year. The share-based payment charge of £5.1m (2021: £2.5m) relates to equity-settled scheme charges of £5.1m (2021: £3.0m) and a cash-settled scheme credit of £nil (2021: credit of £0.5m). A share-based payment charge of £nil (2021: £0.8m) relates to equity-settled schemes in respect of discontinued operations.

12 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and held in short-term deposits and Vanquis Bank Limited's liquid assets buffer, including other liquid resources.

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Central bank reserves	420.5	414.8	–	–
Cash at bank	45.4	306.2	4.1	206.6
Cash in hand	(1.0)	(3.3)	–	–
Total cash and cash equivalents	464.9	717.7	4.1	206.6

In addition to cash and cash equivalents, the Group had £1.0m of bank overdrafts at 31 December 2022 (2021: £3.6m) and the Company had £nil bank overdrafts (2021: £nil), both of which are disclosed within bank and other borrowings (see note 27).

All cash and cash equivalents are held with investment grade rated banks.

Vanquis Bank Limited's total liquid assets buffer is held in the Bank of England central reserve account and amounted to £420.5m at 31 December 2022 (2021: £414.8m).

The currency profile of cash and cash equivalents is as follows:

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Sterling	464.9	716.3	4.1	205.2
Euro	–	1.4	–	1.4
Total cash and cash equivalents	464.9	717.7	4.1	206.6

Cash and cash equivalents are non-interest bearing other than in respect of the cash held on deposit and the amounts held by Vanquis Bank Limited as a liquid assets buffer and other liquid resources which bear interest at rates linked to the Bank of England base rate.

13 Amounts receivable from customers

	2022			2021		
	Due within one year £m	Due in more than one year £m	Total £m	Due within one year £m	Due in more than one year £m	Total £m
Credit cards	1,181.6	–	1,181.6	1,063.4	–	1,063.4
Vehicle finance	181.4	464.7	646.1	168.5	417.7	586.2
Personal loans	34.1	42.2	76.3	19.7	8.4	28.1
Total	1,397.1	506.9	1,904.0	1,251.6	426.1	1,677.7
Fair value adjustment for portfolio hedged risk	(4.7)	(3.2)	(7.9)	–	–	–
Total reported amounts receivable from customers	1,392.4	503.7	1,896.1	1,251.6	426.1	1,677.7

The fair value adjustment for the portfolio hedge risk relates to the unamortised hedged accounting adjustment in relation to discontinued balance guaranteed swap (see note 22). In 2021 this was presented within trade and other receivables (£3.6m) (see note 14).

The gross amounts receivable from customers and allowance account which form the net amounts receivable from customers are as follows:

	2022				2021			
Group	Credit cards £m	Vehicle finance £m	Personal loans £m	Group £m	Credit cards £m	Vehicle finance £m	Personal loans £m	Group £m
Gross amounts receivable from customers	1,452.0	972.3	85.5	2,509.8	1,417.2	841.7	33.7	2,292.6
Allowance account	(270.4)	(326.2)	(9.2)	(605.8)	(353.8)	(255.5)	(5.6)	(614.9)
Reported amounts receivable from customers	1,181.6	646.1	76.3	1,904.0	1,063.4	586.2	28.1	1,677.7

13 Amounts receivable from customers continued

Amounts receivable from customers for credit cards can be reconciled as follows:

	2022				2021			
Credit cards	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount								
At 1 January	883.8	340.9	192.5	1,417.2	1,023.8	186.5	331.7	1,542.0
New financial assets originated and new drawdowns	1,906.8	210.1	16.7	2,133.6	1,975.9	79.7	32.9	2,088.5
Net transfers and changes in credit risk:								
– from stage 1 to stage 2	(584.7)	584.7	–	–	(833.8)	833.8	–	–
– from stage 1 to stage 3	(20.2)	–	20.2	–	(50.4)	–	50.4	–
– from stage 2 to stage 1	532.4	(532.4)	–	–	544.5	(544.5)	–	–
– from stage 2 to stage 3	–	(180.1)	180.1	–	–	(121.5)	121.5	–
– from stage 3 to stage 1	21.5	–	(21.5)	–	63.3	–	(63.3)	–
– from stage 3 to stage 2	–	15.3	(15.3)	–	–	24.8	(24.8)	–
Write offs	(9.8)	(12.6)	(156.8)	(179.2)	(11.2)	(11.1)	(155.2)	(177.5)
Recoveries	(1,884.4)	(378.2)	(56.9)	(2,319.5)	(2,147.8)	(174.7)	(126.4)	(2,448.9)
Revenue	271.2	101.0	8.0	380.2	315.1	60.0	14.0	389.1
Other movements	–	–	19.7	19.7	4.4	7.9	11.7	24.0
At 31 December	1,116.6	148.7	186.7	1,452.0	883.8	340.9	192.5	1,417.2
Allowance account								
At 1 January	99.7	102.1	152.0	353.8	166.4	88.9	211.6	466.9
Movements through income statement:								
– drawdowns and net transfers and changes in credit risk:								
– from stage 1 to stage 2	(76.5)	210.6	–	134.1	(157.4)	331.0	–	173.6
– from stage 1 to stage 3	(5.4)	–	17.4	12.0	(9.8)	–	23.8	14.0
– from stage 2 to stage 1	55.8	(185.8)	–	(130.0)	122.2	(248.2)	–	(126.0)
– from stage 2 to stage 3	–	(100.8)	118.5	17.7	–	(80.2)	92.9	12.7
– from stage 3 to stage 1	1.4	–	(3.9)	(2.5)	6.3	–	(9.3)	(3.0)
– from stage 3 to stage 2	–	3.0	(3.0)	–	–	6.5	(3.8)	2.7
– other movements	28.0	41.7	(84.2)	(14.5)	(18.2)	13.8	(65.9)	(70.3)
Total movements through income statement	3.3	(31.3)	44.8	16.8	(56.9)	22.9	37.7	3.7
Other movements:								
– write offs	(9.8)	(12.6)	(156.8)	(179.2)	(11.2)	(11.1)	(155.2)	(177.5)
– amounts recovered	–	–	79.0	79.0	1.4	1.4	57.9	60.7
Allowance account at 31 December	93.2	58.2	119.0	270.4	99.7	102.1	152.0	353.8
Reported amounts receivable from customers at 31 December	1,023.4	90.5	67.7	1,181.6	784.1	238.8	40.5	1,063.4
Reported amounts receivable from customers at 1 January	784.1	238.8	40.5	1,063.4	857.4	97.6	120.1	1,075.1

Movements in the allowance account include c.£50m in relation to the refreshed SICR threshold parameters to better reflect the evolving receivables mix following a refocus onto lower risk market segments.

Recoveries have reduced in 2022 due to the impact of debt sale activity. Other movements through income statement include movements from risk level changes that do not result in staging movements, charged off accounts, exited accounts and debt sales.

As at 31 December 2022 unutilised credit card commitments were £1,370.9m (2021: £1,229.3m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £3.4m (2021: £1.6m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

13 Amounts receivable from customers continued

A breakdown of the in-model and post-model overlays for credit cards is shown below:

Credit cards	2022 £m	2021 £m
Core model	254.1	299.8
In-model overlays	–	27.9
Post-model overlays	16.3	26.1
Total allowance account	270.4	353.8

Description	2022 £m	2021 £m
In-model overlays:		
Covid-19 overlay for cards (note (a))	–	27.9
Total in-model overlays	–	27.9
Post-model overlays:		
Affordability (note (b))	0.3	5.0
Persistent debt (note (c))	2.8	5.8
Cost of living (note (d))	10.0	7.8
Recoveries (note (e))	2.5	7.4
Other	0.7	0.1
Total post-model overlays	16.3	26.1
Total overlays	16.3	54.0

(a) Impact of Covid-19

The impact of Covid-19 significantly influenced credit card provisioning methodology. The core IFRS 9 models utilise a scorecard approach to calculating a 12-month PD and the relationships between the established drivers of default risk found in the PD scorecards; it was previously assumed the 12-month PD may be distorted during the Covid-19 period. This potential distortion could be caused by external government support initiatives or the natural lag that is apparent when risk profiles change. Accordingly, an in-model utilisation adjustment was made to the probability of default models for credit cards.

However, the underlying risk profile of these customers has not fundamentally changed, and over the course of 2022 it became evident that this utilisation adjustment was no longer required. Consequently this adjustment has been fully unwound during the year.

(b) Affordability

An additional IFRS 9 impairment provision has been created to cover the principal balance of those customers impacted by risk events which may need to be written off. These risk events arose from minor temporary data misalignment instances impacting a small number of accounts which have now been remediated.

(c) Persistent debt

A post-model overlay was calculated to refine provisioning for those customers who have entered PD36. These customers have been split into two categories: those who have responded to communications and agreed to pay down their outstanding balance; and those who are making minimum payments but have not responded to communications. The core model does not consider this refinement and therefore a post-model overlay is required.

13 Amounts receivable from customers continued

(d) Cost of living

Consumer prices, as measured by the Consumer Prices Index (CPI) was 10.5% in December 2022, and the Government has announced a range of measures to support households during the current economic environment. After accounting for these policies most lower income households are expected to be protected from the increase in inflation. But for many other households, inflation is still a looming risk albeit recent government forecasts predict a weaker than previously expected recession. The IFRS 9 macroeconomic model does not consider inflation or CPI, as there is no significant correlation between inflation and expected credit losses. However it is recognised that the increase in CPI may have some impact on the existing book and hence management continue to retain a post-model overlay for cost of living of £10.0m (2021: £7.8m).

The underlying credit metrics of the receivables book remain stable and show no signs of significant increase in credit risk. The £10.0m overlay is based on management judgement, reflecting the Group's proactive approach to risk management and is appropriately supported by modelling analytics.

(e) Recoveries

A post-model overlay was created in 2021 to account for an estimated reduction in recoveries for debt sold to debt collection agencies. Updated information and further refinement in understanding the extent of the exposure has led to management reducing the recoveries overlay from £7.4m to £2.5m.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2022				2021			
Credit cards	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	975.9	90.6	—	1,066.5	763.7	269.1	—	1,032.8
Satisfactory	140.7	58.1	—	198.8	120.1	71.8	—	191.9
Lower quality	—	—	186.7	186.7	—	—	192.5	192.5
Total	1,116.6	148.7	186.7	1,452.0	883.8	340.9	192.5	1,417.2

Low-quality receivables relate to defaulted accounts and are therefore assigned as stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut off, dependent on the customer's credit score.

13 Amounts receivable from customers continued

Amounts receivable from customers for vehicle finance can be reconciled as follows:

Vehicle finance	2022 Stage 1 £m	2022 Stage 2 £m	2022 Stage 3 £m	2022 Total £m	2021 Stage 1 £m	2021 Stage 2 £m	2021 Stage 3 £m	2021 Total £m
Gross carrying amount								
At 1 January	350.2	112.9	378.6	841.7	443.8	100.1	221.4	765.3
New financial assets originated	274.5	–	–	274.5	272.8	–	–	272.8
Transfers due to changes in credit risk:								
– from stage 1 to stage 2	(132.8)	132.8	–	–	(108.2)	108.2	–	–
– from stage 1 to stage 3	(75.6)	–	75.6	–	(156.1)	–	156.1	–
– from stage 2 to stage 1	10.2	(10.2)	–	–	2.8	(2.8)	–	–
– from stage 2 to stage 3	–	(48.5)	48.5	–	–	(73.8)	73.8	–
– from stage 3 to stage 1	11.1	–	(11.1)	–	0.1	–	(0.1)	–
– from stage 3 to stage 2	–	12.1	(12.1)	–	–	0.5	(0.5)	–
Write offs	–	–	(3.1)	(3.1)	(0.3)	(0.7)	(15.6)	(16.6)
Recoveries	(160.5)	(56.7)	(123.5)	(340.7)	(199.6)	(47.3)	(103.7)	(350.6)
Revenue[1]	62.8	25.8	85.8	174.4	93.7	27.6	46.3	167.6
Other changes	11.1	1.1	13.3	25.5	1.2	1.1	0.9	3.2
At 31 December	351.0	169.3	452.0	972.3	350.2	112.9	378.6	841.7
Allowance account								
At 1 January	14.3	15.8	225.4	255.5	21.8	17.9	159.0	198.7
Movements through income statement:								
– new financial assets originated	37.2	–	–	37.2	39.1	–	–	39.1
– transfers due to changes in credit risk:								
– from stage 1 to stage 2	(19.8)	21.2	–	1.4	(12.7)	15.0	–	2.3
– from stage 1 to stage 3	(11.6)	–	41.1	29.5	(23.5)	–	46.8	23.3
– from stage 2 to stage 1	0.3	(1.3)	–	(1.0)	0.1	(0.4)	–	(0.3)
– from stage 2 to stage 3	–	(8.8)	15.7	6.9	–	(12.5)	23.6	11.1
– from stage 3 to stage 1	0.2	–	(2.0)	(1.8)	–	–	(0.1)	(0.1)
– from stage 3 to stage 2	–	1.1	(2.4)	(1.3)	–	–	(0.2)	(0.2)
– remeasurements within existing stage	(5.1)	(3.4)	(29.8)	(38.3)	(10.2)	(3.5)	(23.2)	(36.9)
– other changes	0.4	1.2	6.6	8.2	–	–	6.3	6.3
Total amount recorded in impairment charges	1.6	10.0	29.2	40.8	(7.2)	(1.4)	53.2	44.6
Amounts netted off against revenue for stage 3 assets	–	–	33.8	33.8	–	–	29.7	29.7
Other movements:								
– write offs	–	–	(3.1)	(3.1)	(0.3)	(0.7)	(15.6)	(16.6)
– other changes	–	–	(0.8)	(0.8)	–	–	(0.9)	(0.9)
Allowance account at 31 December	15.9	25.8	284.5	326.2	14.3	15.8	225.4	255.5
Reported amounts receivable from customers at 31 December	335.1	143.5	167.5	646.1	335.9	97.1	153.2	586.2
Reported amounts receivable from customers at 1 January	335.9	97.1	153.2	586.2	422.0	82.2	62.4	566.6

1 In the income statement vehicle finance revenue of £140.6m (2021: £137.9m) is reported net of the impairment charge for stage 3 assets of £33.8m (2021: £29.7m).

Other changes within gross receivable include the capitalisation of broker costs.

Included within vehicle finance receivables is £2.8m (2021: £2.9m) in relation to receivables classified as purchased or originated as credit impaired under IFRS 9.

Vehicles are held as collateral against a vehicle finance conditional sale agreement until it is repaid in full. The impact of holding the collateral of £453.4m (2021: £494.7m) on the allowance account as at 31 December 2022 was £54.7m (2021: £85.8m), representing 88% (2021: 84%) of the balance.

Vehicle finance gross receivables are stated net of unearned finance income of £337.5m (2021: £322.4m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.3m (2021: £0.4m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

13 Amounts receivable from customers continued

A breakdown of the in-model and post-model overlays for vehicle finance is shown below:

Vehicle finance	2022 £m	2021 £m
Core model	**328.7**	257.5
In-model overlays	**–**	–
Post-model overlays	**(2.5)**	(2.0)
Total allowance account	**326.2**	255.5

Description	2022 £m	2021 £m
In-model overlays:		
Total in-model overlays	**–**	–
Post-model overlays:		
Cost of living (note (a))	**0.5**	–
Fraud (note (b))	**(3.0)**	(2.0)
Total post-model overlays	**(2.5)**	(2.0)
Total overlays	**(2.5)**	(2.0)

(a) Cost of living

Refer to credit cards cost of living overlays section for economic update.

The credit acquisition and affordability models were updated in early 2022 by a blended average of 8.75% reflecting the rise in inflation, energy prices and other bills compared to income. Vehicle finance implemented a new IFRS 9 suite of models with revised behavioural PDs during late 2021 and therefore a significant number of variables indicating financial distress are already incorporated within this model.

However, considering the broader macroeconomic environment and the observations made above, the management opinion is that a cost of living overlay of £0.5m should be recognised. This was derived by taking the cohort of up-to-date accounts in stage 2 and modelling a higher probability of default to replicate a situation reflective of these falling into arrears.

(b) Fraud

The fraud overlay represents the cohort of live accounts within the vehicle finance portfolio that have been identified as fraud customers. There is a corresponding adjustment within gross receivables for these accounts.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2022				2021			
Vehicle finance	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	**145.9**	**20.6**	**–**	**166.5**	152.3	10.4	–	162.7
Satisfactory	**174.1**	**59.7**	**–**	**233.8**	170.7	32.4	–	203.1
Lower quality	**30.1**	**38.6**	**–**	**68.7**	26.1	23.1	–	49.2
Below standard	**0.9**	**50.4**	**452.0**	**503.3**	1.1	47.0	378.6	426.7
Total	**351.0**	**169.3**	**452.0**	**972.3**	350.2	112.9	378.6	841.7

Internal credit risk rating is based on the internal credit score of a customer at the balance sheet date. 2021 has been represented on a consistent basis as 2022 using risk rating at balance sheet date.

13 Amounts receivable from customers continued

Amounts receivable from customers for personal loans can be reconciled as follows:

Personal loans	2022 Stage 1 £m	2022 Stage 2 £m	2022 Stage 3 £m	2022 Total £m	2021 Stage 1 £m	2021 Stage 2 £m	2021 Stage 3 £m	2021 Total £m
Gross carrying amount								
At 1 January	29.9	1.8	2.0	33.7	20.7	1.8	3.9	26.4
New financial assets originated and new drawdowns	86.0	1.7	2.3	90.0	27.2	1.6	1.7	30.5
Net transfers and changes in credit risk:								
– from stage 1 to stage 2	(1.4)	1.4	–	–	(1.4)	1.4	–	–
– from stage 1 to stage 3	(16.4)	–	16.4	–	(1.4)	–	1.4	–
– from stage 2 to stage 1	0.4	(0.4)	–	–	0.5	(0.5)	–	–
– from stage 2 to stage 3	–	(1.7)	1.7	–	–	(0.3)	0.3	–
– from stage 3 to stage 1	0.1	–	(0.1)	–	0.2	–	(0.2)	–
– from stage 3 to stage 2	–	–	–	–	–	0.1	(0.1)	–
Write offs	–	–	(6.2)	(6.2)	–	–	(4.5)	(4.5)
Recoveries	(32.5)	(1.1)	(10.2)	(43.8)	(23.5)	(1.4)	(1.5)	(26.4)
Revenue	12.0	0.4	0.7	13.1	6.4	0.4	0.4	7.2
Other movements	–	–	(1.3)	(1.3)	1.2	(1.3)	0.6	0.5
At 31 December	78.1	2.1	5.3	85.5	29.9	1.8	2.0	33.7
Allowance account								
At 1 January	3.5	0.8	1.3	5.6	3.6	1.3	2.4	7.3
Movements through income statement:								
– drawdowns and net transfers and changes in credit risk:								
– from stage 1 to stage 2	(0.1)	0.7	–	0.6	(0.1)	0.1	–	–
– from stage 1 to stage 3	(0.9)	–	3.5	2.6	(0.1)	–	0.5	0.4
– from stage 2 to stage 1	–	(0.1)	–	(0.1)	–	(0.1)	–	(0.1)
– from stage 2 to stage 3	–	(0.4)	0.4	–	–	(0.1)	0.1	–
– from stage 3 to stage 1	–	–	–	–	–	–	(0.1)	(0.1)
– from stage 3 to stage 2	–	–	–	–	–	–	–	–
– other movements	2.5	(0.3)	3.2	5.4	0.1	(0.4)	2.2	1.9
Total movements through income statement	1.5	(0.1)	7.1	8.5	(0.1)	(0.5)	2.7	2.1
Other movements:								
– write offs	–	–	(6.2)	(6.2)	–	–	(4.5)	(4.5)
– amounts recovered	–	–	1.3	1.3	–	–	0.7	0.7
Allowance account at 31 December	5.0	0.7	3.5	9.2	3.5	0.8	1.3	5.6
Reported amounts receivable from customers at 31 December	73.1	1.4	1.8	76.3	26.4	1.0	0.7	28.1
Reported amounts receivable from customers at 1 January	26.4	1.0	0.7	28.1	17.1	0.5	1.5	19.1

Other movements through income statement include movements from risk level changes that do not result in staging movements, charged off accounts, exited accounts and debt sales.

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.2m (2021: £0.1m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

13 Amounts receivable from customers continued

A breakdown of the in-model and post-model overlays for personal loans is shown below:

Personal loans	2022 £m	2021 £m
Core model	8.6	3.9
In-model overlays	—	—
Post-model overlays	0.6	1.7
Total allowance account	9.2	5.6

Description	2022 £m	2021 £m
In-model overlays:		
Total in-model overlays	—	—
Post-model overlays:		
Covid-19 overlay (note (a))	—	1.7
Cost of living (note (b))	0.3	—
Other	0.3	—
Total post-model overlays	0.6	1.7
Total overlays	0.6	1.7

(a) Covid-19 overlay

In December 2020, a post-model overlay for the payment holiday population and any future take-up of payment holidays expected in the personal loans portfolio was held, as these customers will exhibit greater losses than indicated based on the historical experience within the core model. This was updated in December 2021 as payment holidays ceased and an increased PD for up-to-date accounts was applied as a result of more accounts being expected to fall into default after the removal of the government support scheme. Over the course of 2022 it became evident that the overlay was no longer required and it has been gradually unwound during the year.

(b) Cost of living

In light of rising inflation and higher energy costs, an additional provision is required for the expected rise in cost of living which may impact customers' ability to make repayments.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2022				2021			
Personal loans	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	62.3	0.6	—	62.9	19.2	—	—	19.2
Satisfactory	15.8	1.5	—	17.3	10.7	1.8	—	12.5
Lower quality	—	—	5.3	5.3	—	—	2.0	2.0
Total	78.1	2.1	5.3	85.5	29.9	1.8	2.0	33.7

Low-quality receivables relate to defaulted accounts and are therefore assigned as stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut off, dependent on the customer's credit score.

13 Amounts receivable from customers continued

CCD – discontinued operations	2022 Stage 1 £m	2022 Stage 2 £m	2022 Stage 3 £m	2022 Total £m	2021 Stage 1 £m	2021 Stage 2 £m	2021 Stage 3 £m	2021 Total £m
Gross carrying amount								
At 1 January	–	–	–	–	76.9	17.9	359.4	454.2
New financial assets originated	–	–	–	–	13.8	0.3	–	14.1
Transfers due to changes in credit risk:								
– from stage 1 to stage 2	–	–	–	–	(8.3)	8.3	–	–
– from stage 1 to stage 3	–	–	–	–	(16.9)	–	16.9	–
– from stage 2 to stage 1	–	–	–	–	1.4	(1.4)	–	–
– from stage 2 to stage 3	–	–	–	–	–	(15.0)	15.0	–
– from stage 3 to stage 1	–	–	–	–	0.5	–	(0.5)	–
– from stage 3 to stage 2	–	–	–	–	–	2.9	(2.9)	–
Write offs	–	–	–	–	(8.1)	(6.7)	(360.1)	(374.9)
Recoveries	–	–	–	–	(102.4)	(17.2)	(41.0)	(160.6)
Revenue	–	–	–	–	43.3	10.9	13.8	68.0
Other movements	–	–	–	–	(0.2)	–	(0.6)	(0.8)
At 31 December	–	–	–	–	–	–	–	–
Allowance account								
At 1 January	–	–	–	–	5.7	3.8	305.7	315.2
Movements through income statement:								
– new financial assets originated	–	–	–	–	0.5	–	–	0.5
– transfers due to changes in credit risk:								
– from stage 1 to stage 2	–	–	–	–	(2.1)	2.1	–	–
– from stage 1 to stage 3	–	–	–	–	(4.2)	–	4.2	–
– from stage 2 to stage 1	–	–	–	–	0.6	(0.6)	–	–
– from stage 2 to stage 3	–	–	–	–	–	(6.9)	6.9	–
– from stage 3 to stage 1	–	–	–	–	0.4	–	(0.4)	–
– from stage 3 to stage 2	–	–	–	–	–	2.4	(2.4)	–
– remeasurements within existing stages	–	–	–	–	7.1	5.9	46.1	59.1
– other movements	–	–	–	–	–	–	–	–
Total movements through income statement	–	–	–	–	2.3	2.9	54.4	59.6
Other movements:								
– write offs	–	–	–	–	(8.0)	(6.7)	(360.1)	(374.8)
– other movements	–	–	–	–	–	–	–	–
Allowance account at 31 December	–	–	–	–	–	–	–	–
Reported amounts receivable from customers at 31 December	–	–	–	–	–	–	–	–
Reported amounts receivable from customers at 1 January	–	–	–	–	71.2	14.1	53.7	139.0

As part of the closure of the CCD business the remaining receivables balance was written off at the end of 2021.

The movement in directly attributable acquisition costs included within amounts receivable from customers can be analysed as follows:

Group	2022 Credit cards £m	2022 Vehicle finance £m	2022 Personal loans £m	2022 CCD £m	2022 Group £m	2021 Credit cards £m	2021 Vehicle finance £m	2021 Personal loans £m	2021 CCD £m	2021 Group £m
Brought forward	29.4	32.4	0.2	–	62.0	32.9	27.9	–	0.4	61.2
Capitalised	11.9	30.2	1.8	–	43.9	10.0	23.3	0.2	0.2	33.7
Amortised	(11.0)	(18.3)	(0.7)	–	(30.0)	(13.5)	(18.8)	–	(0.6)	(32.9)
Carried forward	30.3	44.3	1.3	–	75.9	29.4	32.4	0.2	–	62.0

13 Amounts receivable from customers continued

The impairment charge in respect of amounts receivable from customers can be analysed as follows:

Impairment charge on amounts receivable from customers	Group 2022 £m	Group 2021 £m
Credit cards	**16.8**	3.7
Vehicle finance	**40.8**	44.6
Personal loans	**8.5**	2.1
Total impairment charge – continuing operations	**66.1**	50.4
CCD – discontinued operations	**—**	59.6
Total impairment charge	**66.1**	110.0

The average effective interest rate for the year ended 31 December 2022 was 25% for credit cards (2021: 24%), 29% for vehicle finance (2021: 29%) and 28% for personal loans (2021: 31%).

The average period to maturity of the amounts receivable from customers within vehicle finance is 35 months (2021: 35 months) and 1.7 years for personal loans (2021: 1.5 years). Within credit cards, for the majority of customers, there is no fixed term for repayment other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance. This is currently the greater of 3% of the amount owed plus any fees and interest charges in the month and £10.

14 Trade and other receivables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trade receivables	**—**	0.3	**—**	—
Other receivables	**23.0**	2.5	**23.0**	—
Stock	**1.6**	1.6	**—**	—
Finance lease receivable (note (a))	**6.2**	—	**—**	—
Fair value adjustment for portfolio hedged risk	**—**	(3.6)	**—**	—
Amounts placed on deposit by Group undertaking	**—**	—	**90.0**	—
Amounts owed by Group undertakings	**—**	—	**1,083.0**	1,050.0
Prepayments and accrued income	**19.8**	18.0	**1.9**	3.2
Total trade and other receivables	**50.6**	18.8	**1,197.9**	1,053.2

Amounts placed on deposit by Group undertaking represents funds placed on deposit via Vanquis Bank with the Bank of England. On a Group basis these amounts are presented within Cash and cash equivalents.

There are £nil amounts past due in respect of trade and other receivables (2021: £nil).

Within the Company, an impairment provision of £104.6m (2021: £105.2m) is held against amounts owed by Group undertakings due in less than one year. This consists of performing loans of £1,172.9m (2021: £1,049.6m), categorised as stage 1 against which no provision is recognised, and £104.7m (2021: £106.2m) of loans categorised as stage 3 against which a provision of £104.6m (2021: £105.2m) has been recognised. Performing loans have no provision recognised as the loans entities have sufficient expected cash flow to service their obligations and sufficient realisable net assets to sell in the event of a default. Non-performing loans are close to fully provided as they have either little or no expected cash flow and are recognised at the realisable value of net assets. The Company has assessed the estimated credit losses for these intercompany loans, as a result of which there has been a £0.6m charge to the Company income statement in 2022 primarily relating to the liquidation of dormant companies and other provision movements (2021: £18.6m) (see note 32).

Stock represents cars held by vehicle finance where customer agreements have been terminated.

Fair value adjustment for portfolio hedged risk in 2021 related to the hedge accounting adjustments recognised in relation to the balance guarantee swap (see note 22). During 2022 these amounts were reclassified to amounts receivable from customers.

Amounts owed by Group undertakings are unsecured and repayable on demand or within one year, and generally accrue interest at rates linked to SONIA.

(a) Finance lease receivable

In December 2022, the Group entered into a finance lease arrangement to sub lease 50% of the existing floor space of its London office. As a result the Group now recognises a lease receivable, representing the amount of the Group's net investment outstanding in respect of the finance lease. 50% of the corresponding right of use asset has been derecognised (see note 17).

14 Trade and other receivables continued

(a) Finance lease receivable continued

A maturity analysis of the amounts receivable under the finance lease is shown below:

	2022 £m	2021 £m
Due within one year	–	–
Due between one and five years	2.9	–
Due in more than five years	3.9	–
Total	6.8	–
Unearned finance cost	(0.6)	–
Total lease receivable	6.2	–

Undiscounted lease payments analysed as:

	2022 £m	2021 £m
Recoverable after 12 months	6.8	–
Recoverable within 12 months	–	–
Total	6.8	–

Net investment in the lease analysed as:

	2022 £m	2021 £m
Recoverable after 12 months	6.3	–
Recoverable within 12 months	(0.1)	–
Total	6.2	–

The finance lease arrangement does not include variable payments. The average effective interest rate contracted approximates to 1.6% per annum.

No impairment provision has been recognised against the lease receivable.

15 Investments

	Group	
	2022 £m	2021 £m
Visa shares	10.7	9.1
Total investments	10.7	9.1

Visa shares

The Visa Inc shares represent preferred stock in Visa Inc held by Vanquis Bank Limited following completion of Visa Inc's acquisition of Visa Europe Limited on 21 June 2016. In consideration for Vanquis Bank Limited's interest in Visa Europe Limited, Vanquis Bank Limited received cash consideration of €15.9m (£12.2m) on completion, preferred stock with an approximate value of €10.7m and deferred cash consideration of €1.4m which was received in 2019.

During 2021 the Visa Inc shares previously classified as fair value through OCI were reclassified as fair value through the income statement. All fair value movements are presented within operating costs in the income statement.

The valuation of the preferred stock has been determined using the common stock's value as an approximation as both classes of stock have similar dividend rights. However, adjustments have been made for: (i) illiquidity, as the preferred stock is not tradeable on an open market and can only be transferred to other Visa members; and (ii) future litigation costs which could affect the valuation of the stock prior to conversion.

As at 31 December 2022, the total fair value of £10.7m of Visa shares comprised of £4.6m of preferred stock and £6.1m of common stock. The portion of the previously held preferred stock was converted to common stock after the sixth anniversary conversion event. The common stock (35,200 of Class A Common shares) was fully sold after the year end on 24 February 2023 for $219.13 per share.

16 Property, plant and equipment

Group	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2022	8.9	21.5	30.4
Additions	1.6	2.0	3.6
Disposals	(1.9)	(0.3)	(2.2)
At 31 December 2022	8.6	23.2	31.8
Accumulated depreciation and impairment			
At 1 January 2022	3.6	18.4	22.0
Charged to the income statement – continuing operations	0.1	2.7	2.8
Disposals	(0.9)	(0.4)	(1.3)
At 31 December 2022	2.8	20.7	23.5
Net book value at 31 December 2022	5.8	2.5	8.3
Net book value at 1 January 2022	5.3	3.1	8.4

The loss on disposal of property, plant and equipment in 2022 amounted to £0.9m (2021: profit of £0.3m) and included a profit of £nil in respect of discontinued operations (2021: £0.4m). The loss comprised proceeds received of £nil (2021: £1.5m) less the net book value of disposals of £0.9m (2021: £1.2m).

The charge to the income statement for continuing operations comprises depreciation.

Additions in 2022 and 2021 principally comprise expenditure in respect of the routine replacement of IT equipment. Disposals in 2021 principally relate to the write off of assets no longer used including £26.4m for discontinued operations.

Group	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2021	8.6	56.0	64.6
Additions	0.3	1.0	1.3
Disposals	–	(35.5)	(35.5)
At 31 December 2021	8.9	21.5	30.4
Accumulated depreciation and impairment			
At 1 January 2021	2.8	46.3	49.1
Charged to the income statement – continuing operations	0.8	2.6	3.4
Charged to the income statement – discontinued operations	–	1.5	1.5
Disposals	–	(32.0)	(32.0)
At 31 December 2021	3.6	18.4	22.0
Net book value at 31 December 2021	5.3	3.1	8.4
Net book value at 1 January 2021	5.8	9.7	15.5

16 Property, plant and equipment continued

Company	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2022	**0.2**	**12.2**	**12.4**
Additions	**—**	**—**	**—**
Disposals	**—**	**—**	**—**
At 31 December 2022	**0.2**	**12.2**	**12.4**
Accumulated depreciation			
At 1 January 2022	**0.1**	**11.1**	**11.2**
Charged to the income statement	**—**	**0.3**	**0.3**
Disposals	**—**	**—**	**—**
At 31 December 2022	**0.1**	**11.4**	**11.5**
Net book value at 31 December 2022	**0.1**	**0.8**	**0.9**
Net book value at 1 January 2022	**0.1**	**1.1**	**1.2**

The profit on disposal of property, plant and equipment in 2022 amounted to £nil (2021: £0.1m) and represented proceeds received of £nil (2021: £0.1m) less the net book value of disposals of £nil (2021: £nil).

Company	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2021	0.2	12.3	12.5
Additions	—	—	—
Disposals	—	(0.1)	(0.1)
At 31 December 2021	0.2	12.2	12.4
Accumulated depreciation			
At 1 January 2021	0.1	10.8	10.9
Charged to the income statement	—	0.4	0.4
Disposals	—	(0.1)	(0.1)
At 31 December 2021	0.1	11.1	11.2
Net book value at 31 December 2021	0.1	1.1	1.2
Net book value at 1 January 2021	0.1	1.5	1.6

17 Right of use assets

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Cost				
At 1 January	**80.0**	84.0	**23.0**	23.0
Additions	**—**	0.3	**—**	—
Disposals	**(9.0)**	(4.3)	**—**	—
At 31 December	**71.0**	80.0	**23.0**	23.0
Accumulated depreciation and impairment				
At 1 January	**32.1**	26.0	**7.7**	5.1
Charged to the income statement – continuing operations	**9.3**	8.1	**2.6**	2.6
Charged to the income statement – discontinued operations	**—**	2.3	**—**	—
Disposals	**(2.8)**	(4.3)	**—**	—
At 31 December	**38.6**	32.1	**10.3**	7.7
Net book value at 31 December	**32.4**	47.9	**12.7**	15.3
Net book value at 1 January	**47.9**	58.0	**15.3**	17.9

17 Right of use assets continued

Lease liabilities are disclosed in note 26.

All right of use assets relate to property leases.

Disposals in the year relate to a partial sub lease of the Group's offices, as discussed in note 14. The sub leased portion of the office has been derecognised from right of use assets.

All disposals in 2021 related to discontinued operations.

18 Goodwill

	Group	
	2022 £m	2021 £m
Cost		
At 1 January and 31 December	**73.3**	73.3
Accumulated impairment		
At 1 January and 31 December	**2.1**	2.1
Net book value at 1 January and 31 December	**71.2**	71.2

Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired. The net book value of goodwill relates wholly to the acquisition of the vehicle finance product in 2014. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and growth rates adopted. Management adopts pre-tax discount rates which reflect the time value of money and the risks specific to the vehicle finance business. The cash flow forecasts are based on the most recent financial budgets approved by the Group Board for the next five years and extrapolate cash flows for the following five years using a terminal growth rate of 2% (2021: 2%). The rate used to discount the forecast cash flows is 11.0% (2021: 10.5%); this represents the Company's risk-adjusted cost of capital. No reasonably foreseeable reduction in the assumptions would give rise to an impairment and therefore no further sensitivity analysis has been presented.

19 Other intangible assets

	2022			2021		
	Acquisition intangibles £m	**Computer software £m**	**Total £m**	Acquisition intangibles £m	Computer software £m	Total £m
Cost						
At 1 January	**75.0**	**43.5**	**118.5**	75.0	77.9	152.9
Additions	**–**	**29.2**	**29.2**	–	24.8	24.8
Disposals	**–**	**(4.2)**	**(4.2)**	–	(59.2)	(59.2)
At 31 December	**75.0**	**68.5**	**143.5**	75.0	43.5	118.5
Accumulated amortisation and impairment						
At 1 January	**55.0**	**11.2**	**66.2**	47.5	60.1	107.6
Charged to the income statement – continuing operations	**7.5**	**8.5**	**16.0**	7.5	7.1	14.6
Charged to the income statement – discontinued operations	**–**	**–**	**–**	–	3.6	3.6
Disposals	**–**	**(2.0)**	**(2.0)**	–	(59.6)	(59.6)
At 31 December	**62.5**	**17.7**	**80.2**	55.0	11.2	66.2
Net book value at 31 December	**12.5**	**50.8**	**63.3**	20.0	32.3	52.3
Net book value at 1 January	**20.0**	**32.3**	**52.3**	27.5	17.8	45.3

Acquisition intangibles represent the fair value of the broker relationships arising on the acquisition of Moneybarn in August 2014. The intangible asset was calculated based on the discounted cash flows associated with vehicle finance core broker relationships and is being amortised over an estimated useful life of 10 years.

Research and development expenditure recognised within operating costs during 2022 was £1.0m.

Additions to computer software in the year of £29.2m (2021: £24.8m) comprise £28.4m (2021: £24.2m) of internally generated assets and £0.8m (2021: £0.6m) of externally purchased software.

The £28.4m (2021: £24.2m) of internally generated assets predominantly relates to the development of systems and applications for the credit cards and personal loans businesses.

The charge for continuing operations includes amortisation of £16.0m (2021: £13.3m) and impairment of £nil (2021: £1.3m). The charge for discontinued operations in 2021 included amortisation £1.0m and impairment of £2.6m.

20 Investment in subsidiaries

	Company 2022 £m	Company 2021 £m
Cost		
At 1 January	**291.0**	257.8
Additions	**11.4**	35.1
Disposals	**(71.7)**	(1.9)
At 31 December	**230.7**	291.0
Accumulated impairment losses		
At 1 January	**65.6**	26.9
Charge to the income statement	**29.4**	38.7
Disposals	**(71.7)**	–
At 31 December	**23.3**	65.6
Net book value at 31 December	**207.4**	225.4
Net book value at 1 January	**225.4**	230.9

The directors consider the value of investments to be supported by their underlying assets and cash flow forecasts.

The movements in 2022 reflect the steps taken to make a number of dormant and non-trading companies solvent in advance of them entering members' voluntary liquidation.

Included within the £11.4m of additions is:

– £10.3m in relation to capital injections into dormant or non-trading companies as part of the preliquidation steps taken. Dividends were also paid up to the Company and intercompany balances settled resulting in an impairment charge of £29.4m in the year before the companies were disposed; and

– £1.1m (2021: £1.9m disposal) in relation to the IFRIC 11 adjustment relating to share options/awards provided to subsidiary employees. Under IFRIC 11, the fair value of the share options/awards issued is required to be treated as a capital contribution and an investment in the relevant subsidiary, net of any share options/awards that have vested.

An investment valuation review was performed at the balance sheet date; a £29.4m (2021: £38.7m) impairment charge has been recognised in the year. The cost, accumulated impairment losses and carrying value of investments at 31 December 2022 are shown below:

Company	Cost £m	Accumulated impairment losses £m	Carrying value £m
Provident Financial Holdings Limited	**196.8**	**–**	**196.8**
Yes Car Credit (Holdings) Limited	**29.9**	**(22.6)**	**7.3**
Other	**4.0**	**(0.7)**	**3.3**
Net book value at 31 December	**230.7**	**(23.3)**	**207.4**

The following are the subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the Group or are a guaranteeing subsidiary of the Group's syndicated bank facility and certain other borrowings. A full list of subsidiary undertakings will be annexed to the next annual return of the Company to be filed with the Registrar of Companies (see note 36). All subsidiaries are consolidated and held directly by the Company except for those noted below, which are held by wholly owned intermediate companies.

Company		Activity	Country of incorporation	Class of capital	% holding
Vanquis Bank	Vanquis Bank Limited	Financial services	England	Ordinary	100[1]
Moneybarn	Duncton Group Limited	Financial services	England	Ordinary	100[1]
	Moneybarn Group Limited	Financial services	England	Ordinary	100[1]
	Moneybarn No. 1 Limited	Financial services	England	Ordinary	100[1]
Central	Provident Financial Holdings Limited	Intermediate holding company	England	Ordinary	100

1 Shares held by wholly owned intermediate companies.

The above companies operate principally in their country of incorporation.

21 Retirement benefit asset

(a) Pension schemes – defined benefit

The retirement benefit asset reflects the difference between the present value of the Group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2022, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded.

The Group operates a defined benefit scheme: the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type. It is now also closed to future accrual.

The scheme provides pension benefits which were accrued on a final salary and, more recently, on a cash balance basis. With effect from 1 August 2021 it was fully closed to future accrual and benefits are no longer linked to final salary, although accrued benefits are subject to statutory inflationary increases.

The scheme is a UK registered pension scheme under UK legislation. The scheme is governed by a Trust Deed and Rules, with trustees responsible for the operation and governance of the scheme. The trustees work closely with the Group on funding and investment strategy decisions. The most recent actuarial valuation of the scheme was carried out as at 1 June 2021 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee Benefits' has been based on the results of the 2021 valuation to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet.

The Group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid. As a result, the Group recognises surplus assets under IAS 19.

The Group is exposed to a number of risks, the most significant of which are as follows:

- Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match liabilities.
- Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.
- Inflation risk – some of the liabilities are linked to inflation. If inflation increases then liabilities will increase, although this will be partly offset by an increase in assets. As part of a long-term de-risking strategy, the scheme has increased its portfolio in inflation matched assets.
- Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

The net retirement benefit asset recognised in the balance sheet of the Group and the Company is as follows:

	Group and Company			
	2022		2021	
	£m	%	£m	%
Equities	58.4	11	95.8	11
Corporate bonds	113.2	22	129.7	14
Other quoted securities	348.0	67	672.7	75
Cash and money market funds	1.1	—	0.6	—
Total fair value of scheme assets	520.7	100	898.8	100
Present value of funded defined benefit obligation	(490.0)		(786.6)	
Net retirement benefit asset recognised in the balance sheet	30.7		112.2	

Included within other quoted securities is £235m (2021: £450m) of liability driven investments.

The Company and the pension trustees have agreed a low-risk investment strategy which involves hedging the inflation and interest rate risks associated with the liabilities of the pension scheme, whilst also holding a modest allocation to growth funds, such as equities. This position is reviewed periodically by the trustees, who consult the Company as part of this process.

The valuation of the retirement benefit asset has decreased from £112.2m at 31 December 2021 to £30.7m at 31 December 2022. A high-level reconciliation of the movement is as follows:

Group and Company	2022 £m	2021 £m
Pension asset as at 1 January	112	80
Cash contributions made by the Group	2	4
Return on assets being held to meet pension obligations in excess of discount rate	(366)	(20)
Change in demographic assumptions	5	13
Increase in discount rate used to discount future liabilities	279	79
Change in inflation rate used to forecast pensions	4	(34)
Actuarial/membership experience	(7)	(10)
Other	2	—
Pension asset as at 31 December	31	112

21 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

The amounts recognised in the income statement were as follows:

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Current service cost	**(1.6)**	(2.1)	**(1.6)**	(2.1)
Interest on scheme liabilities	**(14.4)**	(11.8)	**(14.4)**	(11.8)
Interest on scheme assets	**16.5**	13.0	**16.5**	13.0
Contributions from subsidiaries	**–**	–	**–**	2.7
Net credit/(charge) recognised in the income statement before exceptional past service credit/(cost)	**0.5**	(0.9)	**0.5**	1.8
Exceptional past service credit – plan amendment (note 1)	**–**	1.5	**–**	1.5
Exceptional past service credit – curtailment credit (note 1)	**–**	0.8	**–**	0.8
Exceptional past service credit	**–**	2.3	**–**	2.3
Net credit recognised in the income statement	**0.5**	1.4	**0.5**	4.1

The exceptional credit in 2021 related to a curtailment credit of £0.8m in respect of the closure of the CCD division and a £1.5m credit in relation to the closure of the cash balance section of the scheme during the year.

The net credit recognised in the income statement of the Group and the Company has been included within operating costs.

Movements in the fair value of scheme assets were as follows:

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Fair value of scheme assets at 1 January	**898.8**	933.0	**898.8**	933.0
Interest on scheme assets	**16.5**	13.0	**16.5**	13.0
Contributions by subsidiaries	**–**	–	**–**	2.7
Actuarial movement on scheme assets	**(366.2)**	(20.2)	**(366.2)**	(20.2)
Contributions by the Group/Company	**2.2**	4.0	**2.2**	1.3
Net benefits paid out	**(30.6)**	(31.0)	**(30.6)**	(31.0)
Fair value of scheme assets at 31 December	**520.7**	898.8	**520.7**	898.8

The Group contributions over 2023 are expected to be £0.8m.

Movements in the present value of the defined benefit obligation were as follows:

	Group and Company	
	2022 £m	2021 £m
Present value of the defined benefit obligation at 1 January	**(786.6)**	(853.3)
Current service cost	**(1.6)**	(2.1)
Interest on scheme liabilities	**(14.4)**	(11.8)
Exceptional past service credit – plan amendment (note 1)	**–**	1.5
Exceptional past service credit – curtailment credit (note 1)	**–**	0.8
Actuarial movement – experience	**(6.6)**	(10.3)
Actuarial movement – demographic assumptions	**5.4**	12.9
Actuarial movement – financial assumptions	**283.2**	44.7
Net benefits paid out	**30.6**	31.0
Present value of the defined benefit obligation at 31 December	**(490.0)**	(786.6)

The liabilities of the scheme are based on the current value of expected benefit payments over the next 80 years. The weighted average duration of the scheme liabilities is approximately 14 years (2021: 17 years).

21 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

The principal actuarial assumptions used at the balance sheet date were as follows:

	Group and Company	
	2022 %	2021 %
Price inflation – RPI	3.25	3.40
Price inflation – CPI	2.75	3.00
Rate of increase to pensions in payment	3.05	3.00
Inflationary increases to pensions in deferment	2.75	3.00
Discount rate	4.80	1.85

The pension increase assumption shown above applies to pensions increasing in payment each year in line with RPI up to 5%. Pensions accrued prior to 2000 are substantially subject to fixed 5% increases each year. In deferment increases prior to retirement are linked to CPI.

The mortality assumptions are based on the self-administered pension scheme (SAPS) series 3 tables (2021: SAPS series 2 tables):

- female non-pensioners: 105% of the 'Middle' table (2021: 101% of the 'All' table);
- male non-pensioners: 105% of the 'Middle' table (2021: 96% of the 'All' table);
- female pensioners: 102% of the 'Middle' table (2021: 101% of the 'All' table); and
- male pensioners: 99% of the 'All' table (2021: 96% of the 'All' table).

The above multipliers and table types were chosen following a study of the scheme's membership. Where the multiplier is greater than 100%, this reflects a shorter life expectancy within the scheme compared to average pension schemes, with the opposite being true where the multiplier is less than 100%. Also, the use of the 'Middle' table typically leads to slightly lower life expectancy compared to using the corresponding 'All' table.

Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2021 model with a long-term improvement trend of 1.00% per annum and a modest allowance (5%) for the experience during 2020 and 2021 (where mortality was higher due to coronavirus, which leads to lower assumed future improvements in mortality). All other available parameters for the mortality improvements model were adopted at the default (core) level. Under these mortality assumptions, the life expectancies of members are as follows:

	Male		Female	
Group and Company	2022 years	2021 years	2022 years	2021 years
Current pensioner aged 65	21.7	21.7	23.3	23.4
Current member aged 45 from age 65	21.6	22.7	24.3	24.6

The table below shows the sensitivity on the defined benefit obligation (not including any impact on assets) of changes in the key assumptions. Depending on the scenario, there would also be compensating asset movements.

	Group and Company	
	2022 £m	2021 £m
Discount rate decreased by 2% (2021: 0.5%)	160	64
Inflation increased by 0.1%	3	6
Life expectancy increased by one year	19	38

The actual return on scheme assets compared to the expected return is as follows:

	Group and Company	
	2022 £m	2021 £m
Interest on scheme assets	16.5	13.0
Actuarial movement on scheme assets	(366.2)	(20.2)
Actual return on scheme assets	(349.7)	(7.2)

Actuarial gains and losses are recognised through other comprehensive income in the period in which they occur.

An analysis of the amounts recognised in the statement of other comprehensive income is as follows:

	Group and Company	
	2022 £m	2021 £m
Actuarial movement on scheme assets	(366.2)	(20.2)
Actuarial movement on scheme liabilities	282.0	47.3
Total movement recognised in other comprehensive income in the year	(84.2)	27.1
Cumulative movement recognised in other comprehensive income	(154.7)	(70.5)

21 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

The history of the net retirement benefit asset recognised in the balance sheet and experience adjustments for the Group is as follows:

	Group and Company				
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Fair value of scheme assets	520.7	898.8	933.0	842.6	788.3
Present value of funded defined benefit obligation	(490.0)	(786.6)	(853.3)	(764.6)	(704.4)
Retirement benefit asset recognised in the balance sheet	30.7	112.2	79.7	78.0	83.9
Experience (losses)/gains on scheme assets:					
– amount (£m)	(366.2)	(20.2)	102.8	67.4	(31.3)
– percentage of scheme assets (%)	(70.3)	(2.2)	11.0	8.0	(4.0)
Experience gains/(losses) on scheme liabilities:					
– amount (£m)	6.6	10.3	(4.3)	(0.1)	(9.1)
– percentage of scheme liabilities (%)	1.3	1.3	(0.5)	–	(1.3)

(b) Pension schemes – defined contribution

The Group operates a Group Personal Pension Plan into which Group companies contribute a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3% and 8%). The assets of the scheme are held separately from those of the Group and Company.

The Group also operates a separate pension scheme for auto-enrolment into which the Company and subsidiaries contribute a proportion of qualifying earnings of the member of 4%. The assets of the scheme are held separately from those of the Group or the Company. The pension charge in the consolidated income statement represents contributions paid by the Group in respect of these plans and amounted to £8.9m for the year ended 31 December 2022 (2021: £12.1m). Contributions made by the Company amounted to £1.9m (2021: £0.8m). £nil contributions were payable to the fund at the year end (2021: £0.6m).

The Group contributed £nil in 2022 into individual personal pension plans in the year (2021: £nil).

22 Derivative financial instruments

The Group is counterparty to three derivative financial instruments.

The securitisation balance guarantee (front BGS) swap manages the market risk associated with movements in interest rates in the accounts of the securitisation. The front BGS is a bespoke over-the-counter interest rate swap that resizes in line with changes to the size and expected maturity profile of the loans in the securitisation. Only the interest rate risk on the portfolio is hedged; other risks such as credit risk are managed but not hedged.

The Group balance guarantee swap (back BGS) eliminates the front BGS on consolidation in the Group accounts. The front BGS manages a risk that exists in the SPV accounts, but does not exist upon consolidation. The back BGS was transacted at historical rates and in compensation the Group received cash consideration for taking on a liability.

The front and back BGS naturally hedge and no hedge accounting is applied. Hedge accounting was discontinued on the front BGS in September 2022 with the hedging adjustment amortising over the remaining life of the receivables. Until termination, the hedging arrangement was accounted for under IAS 39 under the portfolio hedging rules.

The Tier 2 swap is a vanilla unamortising swap that manages the Group's sensitivity to changes in interest rates arising from long-dated fixed-rate Tier 2 capital and short-dated Bank of England reserves.

The Tier 2 swap pays annually a floating rate of daily compounded SONIA and receives a fixed annual rate of 3.521% bi-annually. The swap matures in October 2026.

The Group has elected to apply fair value hedge accounting in the consolidated accounts under IAS 39. The effectiveness of the hedge is assessed prospectively using matched terms with a single scenario analysis. The swap has been specifically designed to match the underlying liability. Retrospectively, the swap only experiences ineffectiveness from different interpolation bases.

	Group		Company	
Fair value of derivatives	2022 £m	2021 £m	2022 £m	2021 £m
Securitisation balance guarantee swap	11.3	3.1	–	–
Group balance guarantee swap	(11.9)	–	(11.9)	–
Tier 2 swap	(3.4)	–	(3.4)	–

Financial statements

22 Derivative financial instruments continued

Notional value of derivatives	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Securitisation balance guarantee swap	353.8	344.0	–	–
Group balance guarantee swap	353.8	–	353.8	–
Tier 2 swap	200.0	–	200.0	–

Fair value adjustment for hedged risk	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Securitisation balance guarantee swap (Hedge accounting terminated in 2022)	(7.9)	(3.6)	–	–
Tier 2 swap	4.6	–	4.6	–

The unamortised fair value adjustment for the discontinued portfolio hedge of £7.9m is included within amounts receivable from customers (see note 13). In 2021 this was presented within trade and other receivables (£3.6m) (see note 14). During 2022, £2.1m of amortisation has been recognised within other income and net fair value gains.

The fair value adjustment for the tier 2 swap of £4.6m is included within bank and other borrowings (see note 27).

Hedge ineffectiveness	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Securitisation balance guarantee swap (Hedge accounting terminated in 2022)	(1.7)	(0.2)	–	–
Tier 2 swap	0.1	–	0.1	–
Total	(1.6)	(0.2)	0.1	–

£1.7m of ineffectiveness is recognised within operating costs and £0.1m within interest expense.

The total Group hedge ineffectiveness of £1.6m includes a £1.8m credit in relation to hedge ineffectiveness for derivatives in the hedging relationship offset by £0.2m charge in relation to derivatives no longer in the hedging relationships which are now naturally hedged. The only hedging relationship in the Company relates to Tier 2 swap with £0.1m ineffectiveness charge in the year (2021: £nil).

Had hedge accounting not been applied, the Group would recognise a total credit to the income statement of £4.4m (2021: £4.4m) and the Company would recognise a total charge of £3.6m (2021: £nil).

23 Deferred tax

Deferred tax is a future tax liability or asset resulting from temporary differences between the accounting value of assets and liabilities and their value for tax purposes or from tax losses carried forward at the reporting date.

Deferred tax arises primarily in respect of: (a) property, plant and equipment which is depreciated on a different basis for tax purposes (accelerated capital allowances); (b) the Group's retirement benefit asset; (c) Vanquis Bank's investment in the preference shares in VISA Inc which are recognised at fair value for accounting purposes but which are taxed only on disposal; (d) the opening balance sheet adjustments to restate the IAS 39 balance sheet to an IFRS 9 basis for which tax deductions are available over 10 years; (e) tax losses carried forward to be relieved against profits in future periods; and (f) other temporary differences including: (i) deductions for employee share awards which are recognised differently for tax purposes; (ii) certain cost provisions for which tax deductions are only available when the costs are paid; (iii) the opening balance sheet adjustment in respect of the change of accounting treatment of directly attributable acquisition costs in Vanquis Bank which is taxable over 10 years; (iv) the opening balance sheet adjustment in respect of the adoption of IFRS 16 'Leases' which is deductible over the average period of the relevant leases; and (v) the balance guarantee swap entered into as part of the vehicle finance securitisation.

In addition, a deferred tax liability is recognised in respect of the acquisition of vehicle finance relating primarily to the intangible asset in respect of vehicle finance broker relationships which are amortised in future periods but for which tax deductions are not available.

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. At 31 December 2021, deferred tax balances were remeasured at 25%, and in the case of credit cards and loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (8%) of 33% to the extent that the temporary differences on which deferred tax had been calculated were expected to reverse, or the tax loss was expected to be utilised, after 1 April 2023.

In 2022, further changes were enacted which, with effect from 1 April 2023, reduce the bank corporation tax surcharge rate from 8% to 3% and increase the bank corporation tax surcharge allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m.

To the extent the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2023, deferred tax balances at 31 December 2022 and movements in deferred tax balances during the year have therefore been remeasured at 25% (2021: 25%) and, in the case of credit cards and personal loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (3%) of 28% (2021: 33%) except to the extent the temporary differences

23 Deferred tax continued

reverse when profits from credit cards and personal loans are expected to be below the bank surcharge threshold, in which case deferred tax balances have been measured at the combined rate of 25% (2021: 33%).

A tax charge of £3.2m (2021: credit of £5.0m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax credit of £5.0m (2021: charge of £6.4m) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income. Of the tax charge of £3.2m (2021: credit of £5.0m) taken to the income statement, £3.2m (2021: £5.0m) related to continuing operations and £nil (2021: £nil) to discontinued operations.

There was £nil impact in 2022 (2021: £nil) on discontinued operations from the change in tax rates as no deferred tax balances were recognised in discontinued operations at 31 December 2022 (2021: £nil).

The movement in the deferred tax balance during the year can be analysed as follows:

	Group						Company	
	2022			2021				
Asset/(liability)	Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m	2022 £m	2021 £m
At 1 January	6.9	–	6.9	12.1	31.9	44.0	(22.6)	(14.2)
Charge to the income statement	(10.2)	–	(10.2)	–	(31.9)	(31.9)	(3.6)	3.2
Credit/(charge) on other comprehensive income prior to impact of change in UK tax rate	16.0	–	16.0	(3.8)	–	(3.8)	16.0	(5.2)
Impact of change in UK tax rate:								
– (charge)/credit to the income statement	(3.2)	–	(3.2)	5.0	–	5.0	(0.1)	–
– credit/(charge) to other comprehensive income	5.0	–	5.0	(6.4)	–	(6.4)	5.0	(6.4)
At 31 December	14.5	–	14.5	6.9	–	6.9	(5.3)	(22.6)

	2022												
	Continuing operations							Discontinued operations					
Group – asset/(liability)	Accelerated capital allowances £m	Visa shares £m	Tax losses £m	IFRS 9 £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m	Accelerated capital allowances £m	Tax losses £m	IFRS 9 £m	Other temporary differences £m	Total £m	Total Group £m
At 1 January	1.9	(3.0)	3.7	35.0	(28.0)	(2.7)	6.9	–	–	–	–	–	6.9
Charge to the income statement	(0.1)	(0.4)	(3.1)	(4.9)	(0.5)	(1.2)	(10.2)	–	–	–	–	–	(10.2)
Credit on other comprehensive income prior to change in UK tax rate	–	–	–	–	16.0	–	16.0	–	–	–	–	–	16.0
Impact of change in UK tax rate:													
– (charge)/credit to the income statement	(0.2)	0.4	–	(3.8)	(0.2)	0.6	(3.2)	–	–	–	–	–	(3.2)
– credit to other comprehensive income	–	–	–	–	5.0	–	5.0	–	–	–	–	–	5.0
At 31 December	1.6	(3.0)	0.6	26.3	(7.7)	(3.3)	14.5	–	–	–	–	–	14.5

23 Deferred tax continued

	2021												
	Continuing operations							Discontinued operations					
Group – asset/(liability)	Accelerated capital allowances £m	Visa shares £m	Tax losses £m	IFRS 9 £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m	Accelerated capital allowances £m	Tax losses £m	IFRS 9 £m	Other temporary differences £m	Total £m	Total Group £m
At 1 January	1.0	(2.5)	–	34.3	(15.1)	(5.6)	12.1	2.1	23.6	6.0	0.2	31.9	44.0
Credit/(charge) to the income statement	0.5	(1.4)	3.7	(4.9)	(1.0)	3.1	–	(2.1)	(23.6)	(6.0)	(0.2)	(31.9)	(31.9)
Credit/(charge) on other comprehensive income prior to change in UK tax rate	–	1.4	–	–	(5.2)	–	(3.8)	–	–	–	–	–	(3.8)
Impact of change in UK tax rate:													
– credit/(charge) to the income statement	0.4	(0.5)	–	5.6	(0.3)	(0.2)	5.0	–	–	–	–	–	5.0
– charge to other comprehensive income	–	–	–	–	(6.4)	–	(6.4)	–	–	–	–	–	(6.4)
At 31 December	1.9	(3.0)	3.7	35.0	(28.0)	(2.7)	6.9	–	–	–	–	–	6.9

Deferred tax assets on losses and other temporary differences

At 31 December 2021, there were £96.7m of carried forward UK tax losses in CCD for which it was no longer appropriate to recognise a deferred tax asset as the ability to carry forward the losses for offset against future Group profits was expected to have lapsed following the closure of the business. At 31 December 2021, no deferred tax assets were recognised in respect of any other temporary differences in CCD or in respect of the losses of the home credit business in the Republic of Ireland for similar reasons. In 2022, £7.5m of CCD deferred tax assets in respect of losses and other temporary differences which had been written off in 2021 were reinstated as they are available for group relief in 2022 (see note 7(e)).

At 31 December 2022, there are £3.1m (2021: £19m) of losses carried forward in the continuing Group. A deferred tax asset of £0.6m (2021: £3.7m) has been recognised in full on these losses at the mainstream corporation tax rate of 19% on the basis that the Group considers it probable that sufficient future taxable profits will be available across the Group before 1 April 2023 for the losses to be fully utilised against Group profits. This recoverability assessment takes into account the corporate loss restriction rules whereby the use of brought forward losses is restricted to 50% of relevant Group taxable profits above a £5m Group allowance.

No deferred tax asset has been recognised in respect of the Group's capital losses carried forward of £133.1m (2021: £133.1m) as it is not probable that future chargeable gains will be realised against which these losses can be utilised.

An analysis of the deferred tax liability for the Company is set out below:

	2022					2021				
Company – asset/(liability)	**Accelerated capital allowances £m**	**Tax losses £m**	**Other temporary differences £m**	**Retirement benefit obligations £m**	**Total £m**	Accelerated capital allowances £m	Tax losses £m	Other temporary differences £m	Retirement benefit obligations £m	Total £m
At 1 January	**0.4**	**3.6**	**1.4**	**(28.0)**	**(22.6)**	0.3	–	0.6	(15.1)	(14.2)
Credit/(charge) to the income statement	**–**	**(3.1)**	**–**	**(0.5)**	**(3.6)**	–	3.6	0.6	(1.0)	3.2
(Charge)/credit on other comprehensive income prior to impact of change in UK tax rate	**–**	**–**	**–**	**16.0**	**16.0**	–	–	–	(5.2)	(5.2)
Impact of change in UK tax rate:										
– credit/(charge) to the income statement	**–**	**–**	**0.1**	**(0.2)**	**(0.1)**	0.1	–	0.2	(0.3)	–
– charge to other comprehensive income	**–**	**–**	**–**	**5.0**	**5.0**	–	–	–	(6.4)	(6.4)
At 31 December	**0.4**	**0.5**	**1.5**	**(7.7)**	**(5.3)**	0.4	3.6	1.4	(28.0)	(22.6)

24 Trade and other payables

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Trade payables	**6.0**	12.5	**–**	–
Amounts owed to Group undertakings	**–**	–	**287.6**	371.7
Other payables including taxation and social security	**4.6**	6.2	**1.4**	0.5
Accruals	**52.2**	76.9	**15.3**	14.5
Total trade and other payables	**62.8**	95.6	**304.3**	386.7

The amounts owed to Group undertakings are unsecured and accrue interest at rates linked to SONIA. Included with the amounts owed to Group undertakings is £272.8m (2021: £272.8m) of funding provided from the vehicle finance securitisation via Provident Financial Holdings Limited. In 2021 £70.0m of upstream funding was provided by Vanquis Bank Limited to the Company, this was repaid on 30 June 2022.

25 Provisions

	Group						Company			
	2022			2021			**2022**		2021	
Provisions	**Scheme £m**	**Others £m**	**Total £m**	Scheme £m	Others £m	Total £m	**Scheme £m**	**Total £m**	Scheme £m	Total £m
At 1 January	**53.5**	**18.6**	**72.1**	65.0	26.0	91.0	**3.5**	**3.5**	–	–
Created in the year	**2.6**	**1.1**	**3.7**	5.0	17.4	22.4	**2.6**	**2.6**	5.0	5.0
Reclassified in the year	**–**	**1.6**	**1.6**	–	–	–	**–**	**–**	15.0	15.0
Utilised in the year	**(54.9)**	**(9.1)**	**(64.0)**	(16.5)	(24.8)	(41.3)	**(6.0)**	**(6.0)**	(16.5)	(16.5)
Released in the year	**–**	**(8.2)**	**(8.2)**	–	–	–	**–**	**–**	–	–
At 31 December	**1.2**	**4.0**	**5.2**	53.5	18.6	72.1	**0.1**	**0.1**	3.5	3.5

The Scheme of Arrangement (the Scheme): Group: £1.2m (2021: £53.5m); Company: £0.1m (2021: £3.5m)
The Scheme of Arrangement was sanctioned on 30 July 2021 and will remediate all outstanding relevant claims, as well as new relevant claims received before the claims submission deadline of February 2022. The objective of the Scheme was to ensure: all customers with redress claims are treated fairly; and outstanding claims are treated consistently for all customers who submit a claim under the Scheme. The Group will fund legitimate Scheme claims with £50m and will cover further Scheme-related costs. These were estimated at approximately £20m at 31 December 2021 with an additional £2.6m being recognised in 2022 for additional expected costs in supporting the delivery of the Scheme.

Customer settlements in relation to the Scheme of Arrangement commenced in H2'22 and £54.9m of provision has been utilised.

Other provisions include:

FCA investigation into CCD: £nil (2021: £4.1m)
CCD was informed in Q1'21 that the FCA had opened an enforcement investigation focusing on the consideration of affordability and sustainability of lending to customers, as well as the application of an FOS decision into the complaint handling process, in the period between February 2020 and February 2021. Analysis of lending during the period of investigation resulted in a provision of £5m being recognised in H1'21 which reflected the current best estimate of the settlement; £0.9m of this was utilised in the second half of 2021. On 7 July, the Group received notification from the FCA that its investigation has closed and that no further action will be taken. Consequently this provision was released during H1'22.

ROP provision: £2.0m (2021: £2.1m)
The Repayment Option Plan (ROP) provision principally reflects the estimated cost of the forward flow of ROP complaints more generally which may be received and in respect of which compensation may need to be paid.

Customer compliance: £2.0m (2021: £3.4m)
The customer compliance provision relates to general customer compliance matters.

Discontinued operations: £nil (2021: £9.0m)
A number of smaller provisions were recognised in 2021 in relation to the closure of the CCD business which now have been fully utilised. These were calculated based on estimated costs at the 2021 year end.

26 Lease liabilities

A maturity analysis of the lease liabilities is shown below:

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Due within one year	**11.1**	10.6	**4.4**	3.6
Due between one and five years	**28.7**	36.5	**8.7**	11.6
Due in more than five years	**14.2**	18.8	**5.7**	6.5
Total	**54.0**	65.9	**18.8**	21.7
Unearned finance cost	**(4.7)**	(7.0)	**(2.1)**	(2.8)
Total lease liabilities	**49.3**	58.9	**16.7**	18.9

Right of use assets are disclosed in note 17.

Lease payments for the Group of £10.3m (2021: £11.4m) include: (i) capital repayments of £9.0m (2021: £9.6m); (ii) interest of £1.2m (2021: £1.5m); and (iii) short-term lease cash outflows of £0.1m (2021: £0.3m). At 31 December 2022, the Group is also committed to £nil (2021: £nil) for short-term leases. Total cash outflows for the Company amounted to £2.6m (2021: £3.3m) and include: (i) capital repayments of £2.2m (2021: £3.0m); and (ii) interest of £0.4m (2021: £0.3m).

Short-term lease cash outflows included £nil (2021: £0.3m) in respect of discontinued operations.

27 Borrowings

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Retail deposits	**1,100.6**	1,018.5	**–**	–
Bank and other borrowings	**820.0**	845.2	**370.4**	395.3
Total	**1,920.6**	1,863.7	**370.4**	395.3
Fair value adjustment for hedged risk	**(4.6)**	–	**(4.6)**	–
Total reported retail deposits and bank and other borrowings	**1,916.0**	1,863.7	**365.8**	395.3

(a) Facilities and borrowings

A breakdown of borrowings is shown below:

	Group	
	2022 £m	2021 £m
Retail deposits:	**1,092.2**	1,010.4
– accrued interest	**8.4**	8.1
Total retail deposits (note (b))	**1,100.6**	1,018.5
Bank and other borrowings:		
– senior bonds (note (e))	**103.5**	103.5
– vehicle finance securitisation (note (f))	**275.0**	275.0
– syndicated bank facility	**–**	30.0
– retail bonds (note (g))	**60.0**	60.0
– Tier 2 (note (h))	**200.0**	200.0
– TFSME (note (i))	**174.0**	174.0
– bank overdrafts	**1.0**	3.6
– accrued interest	**10.8**	6.0
– arrangement fees	**(4.3)**	(6.9)
Total bank and other borrowings	**820.0**	845.2
Total borrowings	**1,920.6**	1,863.7

27 Borrowings continued

(b) Retail deposits

Vanquis Bank Limited is a PRA-regulated bank and is fully funded through retail deposits. As at 31 December 2022, £1,100.6m (2021: £1,018.5m) of fixed-rate, fixed-term retail deposits of six months and one, two, three, four and five years had been taken. The deposits in issue at 31 December 2022 have been issued at rates of between 0.1% and 5%.

A reconciliation of the movement in retail deposits is set out below:

Group	2022 £m	2021 £m
At 1 January	1,018.5	1,683.2
New funds received	330.0	121.8
Maturities	(400.5)	(906.3)
Retentions	155.5	125.2
Cancellations	(13.4)	(16.4)
Interest	10.5	11.0
At 31 December	1,100.6	1,018.5

(c) Maturity profile borrowings

The maturity of borrowings, together with the maturity of facilities, is as follows:

	2022		2021	
Group	Borrowing facilities available £m	Borrowings £m	Borrowing facilities available £m	Borrowings £m
Repayable:				
On demand (uncommitted)	1.0	1.0	4.6	3.6
In less than one year	966.6	916.6	399.6	399.6
Between one and two years	307.0	307.0	927.4	817.3
Between two and five years	481.1	481.1	436.0	436.0
In more than five years	200.0	200.0	200.0	200.0
Accrued interest	–	19.2	–	14.1
Arrangement fees	–	(4.3)	–	(6.9)
Total Group	1,955.7	1,920.6	1,967.6	1,863.7

Borrowings are stated after deducting £4.3m of unamortised arrangement fees (2021: £6.9m) and the addition of accrued interest of £19.2m (2021: £14.1m).

	2022		2021	
Company	Borrowing facilities available £m	Borrowings £m	Borrowing facilities available £m	Borrowings £m
Repayable:				
On demand (uncommitted)	–	–	1.0	–
In less than one year	163.5	163.5	–	–
Between one and two years	–	–	253.5	193.5
Between two and five years	–	–	–	–
In more than five years	200.0	200.0	200.0	200.0
Accrued interest	–	9.3	–	5.6
Arrangement fees	–	(2.4)	–	(3.8)
Total Company	363.5	370.4	454.5	395.3

As at 31 December 2022, the weighted average period to maturity of the Group's committed facilities, including retail deposits, was 2.0 years (2021: 2.5 years) and for the Company's committed facilities was 5.2 years (2021: 4.0 years). Excluding retail deposits, the weighted average period to maturity of the Group's committed facilities was 2.9 years (2021: 3.7 years). In line with the Group's funding strategy to place less reliance on this source of funding, the syndicated bank facility was repaid early in March 2022 ahead of its contractual maturity in July 2023 and at the same time was cancelled at the discretion of the Group as allowed for in the terms of the facility.

The large exposure waiver received in November 2022 from the PRA, will allow the £163.5m maturities of the bonds due to be repaid in 2023, to be refinanced using retail deposits as planned. This enables the transition towards having a funding model which is predominantly retail deposit funded whilst maintaining the appropriate diversity of liquidity sources.

27 Borrowings continued

(d) Interest rate and currency profile of borrowings

The interest rate exposure on borrowings is as follows:

	Group						Company					
	2022			2021			2022			2021		
	Fixed £m	Floating £m	Total £m	Fixed £m	Floating £m	Total £m	Fixed £m	Floating £m	Total £m	Fixed £m	Floating £m	Total £m
Sterling	1,471.0	449.6	1,920.6	1,383.5	480.2	1,863.7	370.4	–	370.4	365.0	30.3	395.3
Euro	–	–	–	–	–	–	–	–	–	–	–	–
Total	1,471.0	449.6	1,920.6	1,383.5	480.2	1,863.7	370.4	–	370.4	365.0	30.3	395.3

All borrowings in 2022 and 2021 are in sterling therefore there in no foreign exchange exposure in the current or prior year.

(e) Senior public bonds

On 4 June 2018, the Group issued £250m of five-year fixed-rate bonds carrying a semi-annual coupon of 8.25%. In October 2021 £71.5m of the bonds which were due to be repaid in 2023 were tendered early following the Group's successful issuance of Tier 2 capital (see note 27(h)).

(f) Vehicle finance securitisation

The Group renegotiated the bilateral securitisation facility in July 2021, extending the facility and achieving an improved advance rate. At 31 December 2022 £275m had been drawn. The rates paid on the borrowings are linked to SONIA and the facility has a maturity date of June 2024.

(g) Retail bonds

The Company has one outstanding retail bond issued on the Order Book for Retail Bonds (ORB) platform established by the London Stock Exchange as follows:

Issue date	Amount £m	Rate %	Maturity date
9 April 2015	60.0	5.125%	9 October 2023
Total Group and Company	60.0		

(h) Tier 2

On 7 October 2021, the Group issued Tier 2 subordinated bonds for a total amount of £200m. The bonds have a 10.25-year maturity that is callable at the Group's discretion between 5 and 5.25 years, and that pays a coupon of 8.875%. The issuance was written from the Group's £2bn EMTN Programme as the Group diversifies and optimises its sources of capital in support of future lending growth.

(i) TFSME

Following the onset of Covid-19, the Bank of England announced a resumption of the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) to provide liquidity support for the banking sector. In January 2021, Vanquis Bank Limited completed its inaugural issue from its newly established credit card receivable master trust. The senior notes in the transaction have been rated AAAsf/Aaa(sf)/AAAsf by Fitch Ratings, Kroll Bond Rating Agency and Standard & Poor's respectively and the bonds are listed on the London Stock Exchange. The rated notes were accepted as eligible for use in the Bank of England's Liquidity and Funding Schemes, providing access to a low cost of funds, and a source for contingent liquidity where unutilised. The majority of the senior rated notes have now been placed as collateral with the Bank of England to support borrowing of £174m from the TFSME at a rate of 21bps over bank rate. This funding is expected to be fully repaid by October 2025.

27 Borrowings continued

(j) Undrawn committed borrowing facilities

The undrawn committed borrowing facilities at 31 December were as follows:

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
Expiring within one year	50.0	–	–	–
Expiring within one to two years	–	110.0	–	60.0
Expiring in more than two years	–	–	–	–
Total undrawn committed borrowing facilities	50.0	110.0	–	60.0

The Group has committed borrowing facilities of £1,954.7m (2021: £1,963.0m) at the end of 2022 of which £50m (2021: £110m) remains undrawn.

In order to reconcile the borrowings and the headroom on committed facilities shown, the facilities and borrowings in respect of amounts repayable on demand and interest accrued and cash held on deposit should be deducted and unamortised arrangement fees should be added back to borrowings as follows:

	2022		2021	
Group	Facilities £m	Borrowings £m	Facilities £m	Borrowings £m
Total facilities and borrowings	1,955.7	1,919.0	1,967.6	1,863.7
Repayable on demand	(1.0)	(1.0)	(4.6)	(3.6)
Unamortised arrangement fees	–	4.3	–	6.9
Accrued interest	–	(17.6)	–	(14.1)
Total committed facilities and borrowings	1,954.7	1,904.7	1,963.0	1,852.9
Headroom on committed facilities		50.0		110.0

In line with the Group's funding strategy to place less reliance on this source of funding, the syndicate bank facility was repaid early in March 2022, ahead of its contractual maturity in July 2023, and at the same time was cancelled at the discretion of the Group as allowed for in the terms of the facility. The Group did not require the funding and did not plan to renew the facility on maturity.

(k) Weighted average interest rates and periods to maturity

The weighted average interest rate and the weighted average period to maturity of the Group and Company's fixed-rate borrowings are as follows:

	Group				Company			
	2022		2021		2022		2021	
	Weighted average interest rate %	Weighted average period to maturity years	Weighted average interest rate %	Weighted average period to maturity years	Weighted average interest rate %	Weighted average period to maturity years	Weighted average interest rate %	Weighted average period to maturity years
Sterling	4.1	2.3	3.6	2.7	8.1	5.2	8.1	6.2

27 Borrowings continued

(l) Fair values

The fair values of the Group and Company's borrowings are compared to their book values as follows:

Group	2022 Book value £m	2022 Fair value £m	2021 Book value £m	2021 Fair value £m
Retail deposits	1,100.6	1,068.7	1,018.5	1,026.4
Bank loans and overdrafts	1.0	1.0	33.5	33.5
Senior public bonds	104.0	104.6	103.5	109.0
Retail bonds	60.6	60.0	60.5	59.9
Securitisation	274.9	286.6	274.1	288.9
Tier 2	201.2	187.5	201.4	214.6
TFSME	173.7	173.7	172.2	172.2
Total Group	1,916.0	1,882.1	1,863.7	1,904.5

All the above numbers include interest, fees and fair value adjustment for hedged risk.

Company	2022 Book value £m	2022 Fair value £m	2021 Book value £m	2021 Fair value £m
Bank loans and overdrafts	–	–	29.9	29.9
Senior public bonds	104.0	104.6	103.5	109.0
Retail bonds	60.6	60.0	60.5	59.9
Tier 2	201.2	187.5	201.4	214.6
Total Company	365.8	352.1	395.3	413.4

All the above numbers include interest and fees.

28 Financial instruments

(a) Classification and measurement

The following table sets out the carrying value of the Group's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

Group	2022 Items held at FVTPL £m	2022 Amortised cost £m	2022 Non-financial assets/ liabilities £m	2022 Total £m
Assets				
Cash and cash equivalents	–	464.9	–	464.9
Amounts receivable from customers	–	1,896.1	–	1,896.1
Trade and other receivables	–	29.2	21.4	50.6
Investments held at fair value through profit and loss	10.7	–	–	10.7
Current tax asset	–	–	1.8	1.8
Property, plant and equipment	–	–	8.3	8.3
Right of use assets	–	–	32.4	32.4
Goodwill	–	–	71.2	71.2
Other intangible assets	–	–	63.3	63.3
Retirement benefit asset	–	–	30.7	30.7
Derivative financial instruments	11.3	–	–	11.3
Deferred tax assets	–	–	14.5	14.5
Total assets	22.0	2,390.2	243.6	2,655.8
Liabilities				
Trade and other payables	–	(62.8)	–	(62.8)
Provisions	–	–	(5.2)	(5.2)
Lease liabilities	–	(49.3)	–	(49.3)
Retail deposits	–	(1,100.6)	–	(1,100.6)
Bank and other borrowings	–	(815.4)	–	(815.4)
Derivative financial instruments	(15.3)	–	–	(15.3)
Total liabilities	(15.3)	(2,028.1)	(5.2)	(2,048.6)

28 Financial instruments continued
(a) Classification and measurement continued

The carrying value for all financial assets represents the maximum exposure to credit risk.

Group	2021 Items held at FVTPL £m	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets				
Cash and cash equivalents	–	717.7	–	717.7
Amounts receivable from customers	–	1,677.7	–	1,677.7
Trade and other receivables	–	16.3	2.5	18.8
Investments held at fair value through profit and loss	9.1	–	–	9.1
Property, plant and equipment	–	–	8.4	8.4
Right of use assets	–	–	47.9	47.9
Goodwill	–	–	71.2	71.2
Other intangible assets	–	–	52.3	52.3
Retirement benefit asset	–	–	112.2	112.2
Derivative financial instruments	3.1	–	–	3.1
Deferred tax assets	–	–	6.9	6.9
Total assets	12.2	2,411.7	301.4	2,725.3
Liabilities				
Trade and other payables	–	(95.6)	–	(95.6)
Current tax liabilities	–	–	(3.8)	(3.8)
Provisions	–	–	(72.1)	(72.1)
Lease liabilities	–	(58.9)	–	(58.9)
Retail deposits	–	(1,018.5)	–	(1,018.5)
Bank and other borrowings	–	(845.2)	–	(845.2)
Total liabilities	–	(2,018.2)	(75.9)	(2,094.1)

Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

Company	2022 Items held at FVTPL £m	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets				
Cash and cash equivalents	–	4.1	–	4.1
Trade and other receivables	–	1,196.0	1.9	1,197.9
Property, plant and equipment	–	–	0.9	0.9
Right of use assets	–	–	12.7	12.7
Other intangible assets	–	–	2.3	2.3
Investment in subsidiaries	–	–	207.4	207.4
Retirement benefit asset	–	–	30.7	30.7
Total assets	–	1,200.1	255.9	1,456.0
Liabilities				
Trade and other payables	–	(304.3)	–	(304.3)
Provisions	–	–	(0.1)	(0.1)
Lease liabilities	–	(16.7)	–	(16.7)
Bank and other borrowings	–	(365.8)	–	(365.8)
Derivative financial instruments	(15.3)	–	–	(15.3)
Deferred tax liabilities	–	–	(5.3)	(5.3)
Total liabilities	(15.3)	(686.8)	(5.4)	(707.5)

28 Financial instruments continued
(a) Classification and measurement continued

Company	Amortised cost £m (2021)	Non-financial assets/ liabilities £m (2021)	Total £m (2021)
Assets			
Cash and cash equivalents	206.6	–	206.6
Trade and other receivables	1,050.0	3.2	1,053.2
Property, plant and equipment	–	1.2	1.2
Right of use assets	–	15.3	15.3
Investment in subsidiaries	–	225.4	225.4
Retirement benefit asset	–	112.2	112.2
Total assets	1,256.6	357.3	1,613.9
Liabilities			
Trade and other payables	(386.7)	–	(386.7)
Provisions	–	(3.5)	(3.5)
Lease liabilities	(18.9)	–	(18.9)
Bank and other borrowings	(395.3)	–	(395.3)
Deferred tax liabilities	–	(22.6)	(22.6)
Total liabilities	(800.9)	(26.1)	(827.0)

(b) Fair values of financial assets and liabilities held at fair value
The Group and Company holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy on the degree to which the fair value is observable.

The following financial assets and liabilities are held at fair value:

	Group						Company					
	2022			2021			2022			2021		
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m
Investments held at fair value through P&L:												
– Visa Inc shares	6.1	–	4.6	–	–	9.1	–	–	–	–	–	–
Derivative held at fair value through P&L:												
– securitisation balance guarantee swap	–	–	11.3	–	–	3.1	–	–	–	–	–	–
– Group balance guarantee swap	–	–	(11.9)	–	–	–	–	–	(11.9)	–	–	–
– tier 2 swap	–	(3.4)	–	–	–	–	–	(3.4)	–	–	–	–
Total	6.1	(3.4)	4.0	–	–	12.2	–	(3.4)	(11.9)	–	–	–

Level 1 fair value measurements are those derived from quoted market prices in active markets for identical assets and liabilities. The Group holds Visa Class A Common Stock in Level 1, which was converted from the preferred stock after the sixth anniversary conversion event. The common stock (35,200 of Class A Common shares) was fully sold after the year end on 24 February 2023 for $219.13 per share.

Level 2 fair value measurements are those derived from inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly. The Tier 2 Swap is classified as a level two instrument as it is an over-the-counter swap that is not publicly traded, but the valuation can be easily reproduced by a third party with publicly available information.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group holds Visa preferred stock and the balance guarantee swap in Level 3.

The SPV and Group Balance Guarantee Swaps are classed as level 3 instruments as whilst the swaps are linked to SONIA, they have a non-standard repayment curve that is tailored to match the expected repayment profile of the vehicle finance receivables. This is a combination of the remaining contractual term and an assumption about prepayment rates. Both of these are deemed to be unobservable inputs with the prepayment rate being the significant input.

Transfers between the different levels of the fair value hierarchy would be made when the inputs used to measure the fair value no longer satisfy the conditions required to be classified in a certain level within the hierarchy. There has been a transfer of £6.1m Visa Inc share from Level 3 to Level 1 in 2022, following the conversion and subsequent sale of Class A common shares.

A 5% movement on the prepayment rate would not have a material impact on the Group's and Company's profit before tax.

28 Financial instruments continued

(b) Fair values of financial assets and liabilities held at fair value continued

Visa Inc shares

The valuation has been determined using a combination of observable and non-observable inputs. As the common stock share price of Visa Inc is readily available, this input is deemed to be observable. However, certain assumptions have been made in respect of the illiquidity adjustment to the share price and the likelihood of future litigation costs. These inputs are therefore deemed to be a significant unobservable input.

The following table sets out their movement during the year:

	Group	
	2022 £m	2021 £m
At 1 January	9.1	9.2
Gain/(loss) recognised in income statement	1.6	(0.1)
Disposal of investment	–	–
At 31 December	10.7	9.1

The illiquidity adjustment for the shares still held has been estimated at around 6% and the expected future litigation costs have been estimated at around 15% of the Visa Inc share price. These assumptions are consistent with 2021.

The higher the illiquidity and future litigation costs the lower the fair value. The sensitivity to the unobservable inputs, in isolation, is set out in the table below:

	Group	
	2022 £m	2021 £m
Illiquidity +/-1%	0.1	0.1
Future litigation costs +/-1%	0.1	0.1

Interest rate swap

The Group is counterparty to three external swaps, two of which were entered into in 2022. Three swaps are detailed below:

- Tier 2 swap: transacted to manage the interest rate risk on the Tier 2 capital;
- SPV-balance guarantee swap: transacted to manage the interest rate risk on the vehicle finance securitisation in the SPV's accounts; and
- Group balance guarantee swap: transacted to reverse the interest rate risk position in the Group accounts created by the SPV balance guarantee swap.

The Group balance guarantee swap was transacted at historical rates and, in compensation, the Group received cash consideration for taking on a liability.

The following table sets out the movement during the year:

	Group		Company	
	2022 £m	2021 £m	2022 £m	2021 £m
At 1 January	3.1	(1.3)	–	–
Additions at historical rates	(11.7)	–	(11.7)	–
Fair value gain/(loss) recognised in income statement	4.4	4.4	(3.6)	–
At 31 December	(4.2)	3.1	(15.3)	–

The fair value gain recognised in the Group's income statement of £4.4m (2021: £4.4m) is before the application of hedge accounting. The effect of applying hedge accounting reduced the gain to £1.6m (2021: £0.2m). The fair value loss recognised in the Company's income statement of £3.6m (2021: £nil) is before the application of hedge accounting. The effect of applying hedge accounting resulted in a gain of £0.1m (2021: £nil).

28 Financial instruments continued

(c) Fair values of financial assets and liabilities not held at fair value

The table below shows the fair value of financial assets and liabilities not presented at fair value in the balance sheet:

Group	2022 Fair value £m	2022 Book value £m	2021 Fair value £m	2021 Book value £m
Assets				
Cash and cash equivalents	**464.9**	**464.9**	717.7	717.7
Amounts receivable from customers	**2,485.8**	**1,896.1**	2,063.8	1,677.7
Trade and other receivables	**50.6**	**50.6**	18.8	18.8
Total assets	**3,001.3**	**2,411.6**	2,800.3	2,414.2
Liabilities				
Retail deposits	**(1,068.7)**	**(1,100.6)**	(1,026.4)	(1,018.5)
Bank and other borrowings	**(813.4)**	**(815.4)**	(878.1)	(845.2)
Trade and other payables	**(62.8)**	**(62.8)**	(95.6)	(95.6)
Lease liabilities	**(49.3)**	**(49.3)**	(58.9)	(58.9)
Total liabilities	**(1,994.2)**	**(2,028.1)**	(2,059.0)	(2,018.2)

Company	2022 Fair value £m	2022 Book value £m	2021 Fair value £m	2021 Book value £m
Assets				
Cash and cash equivalents	**4.1**	**4.1**	206.6	206.6
Trade and other receivables	**1,197.9**	**1,197.9**	1,053.2	1,053.2
Total assets	**1,202.0**	**1,202.0**	1,259.8	1,259.8
Liabilities				
Bank and other borrowings	**(352.1)**	**(365.8)**	(413.4)	(395.3)
Trade and other payables	**(304.3)**	**(304.3)**	(386.7)	(386.7)
Lease liabilities	**(16.7)**	**(16.7)**	(18.9)	(18.9)
Total liabilities	**(673.1)**	**(686.8)**	(819.0)	(800.9)

Key considerations in the calculation of fair values of those financial assets and liabilities not presented at fair value in the balance sheet are set out below. Where there is no significant difference between carrying value and fair value no additional information has been presented.

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (net of collection costs) at the credit risk-adjusted discount rate at the balance sheet date. They are categorised within Level 3 as the expected future cash flows and discount rate are deemed to be significant unobservable inputs.

The fair value of retail deposits has been calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date and they are categorised within Level 3 of the fair value hierarchy as the expected future cash flows are deemed to be significant unobservable inputs.

Within bank and other borrowings, the Tier 2 capital, senior public bonds and retail bonds are classed as Level 1 as they are valued within quoted market prices. The TFSME is a floating rate instruments with a fair value equivalent to book value. The fair value of the securitisation was calculated using a discounted cash flow and is classed as Level 3. Whilst it uses publicly available information for the discount rate, the cash flow forecast is not publicly available.

29 Share capital

Group and Company		2022 Issued and fully paid	2021 Issued and fully paid
Ordinary shares of 20 8/11p each	– £m	52.6	52.6
	– number (m)	253.8	253.7

The movement in the number of shares in issue during the year was as follows:

Group and Company	2022 m	2021 m
At 1 January	253.7	253.6
Shares issued pursuant to the exercise/vesting of options and awards	0.1	0.1
At 31 December	253.8	253.7

The shares issued pursuant to the exercise/vesting of options and awards comprised 140,448 ordinary shares (2021: 83,755) with a nominal value of £29,111 (2021: £17,360) and an aggregate consideration of less than £0.1m (2021: £0.1m).

Vanquis Banking Group plc sponsors the Provident Financial plc 2007 Employee Benefit Trust (EBT) which is a discretionary trust established for the benefit of the employees of the Group. The Company has appointed SG Kleinwort Hambros Trust Company (CI) Limited to act as trustee of the EBT. The trustee has waived the right to receive dividends on the shares it holds. As at 31 December 2022, the EBT held 2,946,015 (2021: 2,846,456) shares in the Company with a cost of £0.6m (2021: £0.6m) and a market value of £5.6m (2021: £10.3m). The shares have been acquired by the EBT to meet obligations under the Provident Financial Deferred Bonus Plan (previously the 2013 Performance Share Plan), the Restricted Share Plan and the Company Share Option Plan.

30 Share-based payments

The Group issues share options and awards to employees as part of its employee remuneration packages. The Group operates five equity-settled share schemes: the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP), the Company Share Option Plan (CSOP), employees' savings-related share option schemes typically referred to as Save As You Earn schemes (SAYE), and the Deferred Bonus Plan (DBP) (previously the Performance Share Plan (PSP)).

The Group previously operated a cash-settled share incentive scheme, the Provident Financial Equity Plan (PFEP), for eligible employees based on a percentage of salary; no awards have been granted since 2018.

When an equity-settled share option or award is granted, a fair value is calculated based on the share price at grant date, the probability of the option/award vesting, the Group's recent share price volatility, and the risk associated with the option/award. A fair value is calculated based on the value of awards granted and adjusted at each balance sheet date for the probability of vesting against performance conditions.

The fair value of all options/awards is charged to the income statement on a straight-line basis over the vesting period of the underlying option/award.

During 2022, awards/options have been granted under the RSP/CSOP, DBP/PSP and SAYE (UK) schemes (2021: awards/options have been granted under the RSP/CSOP and SAYE (UK only)).

30 Share-based payments continued

(a) Equity-settled schemes

The charge to the income statement in 2022 for equity-settled schemes was £5.1m for the Group (2021: £3.8m) and £2.9m for the Company (2021: £1.7m). The charge included £nil (2021: £0.8m) in respect of discontinued operations.

The fair value per award/option granted and the assumptions used in the calculation of the equity-settled share-based payment charges for the Group and the Company are as follows:

	2022			2021	
Group	RSP/CSOP	DBP/PSP	SAYE	RSP/CSOP	SAYE
Grant date	7 Apr 2022	7 Apr 2022	5 Oct 2022	18 Aug 2021	5 Oct 2021
Share price at grant date (£)	2.89	2.89	1.75	3.43	3.32
Exercise price (£)	–	–	1.43	–	2.84
Shares awarded/under option (number)	2,376,546	348,911	1,447,968	1,657,986	403,204
Vesting period (years)	3	3	3 and 5	3	3 and 5
Expected volatility	–	–	60.7%–61.9%	61.2%	61.5%–78.5%
Award/option life (years)	3	3	Up to 5	3	Up to 5
Expected life (years)	3	3	Up to 5	3	Up to 5
Risk-free rate	–	–	4.1%–4.2%	–	0.5%–0.7%
Expected dividends expressed as a dividend yield	–	–	8.6%–10.9%	n/a	5.1%–6.0%
Fair value per award/option (£)	2.59	2.59	0.43–0.51	3.34	1.06–1.33

	2022			2021	
Company	RSP/CSOP	DBP/PSP	SAYE	RSP/CSOP	SAYE
Grant date	7 Apr 2022	7 Apr 2022	5 Oct 2022	18 Aug 2021	5 Oct 2021
Share price at grant date (£)	2.89	2.89	1.75	3.43	3.32
Exercise price (£)	–	–	1.43	–	2.84
Shares awarded/under option (number)	1,545,768	256,204	338,746	947,693	46,953
Vesting period (years)	3	3	3 and 5	3	3 and 5
Expected volatility	–	–	60.7%–61.9%	61.2%	61.5%–78.5%
Award/option life (years)	3	3	Up to 5	3	Up to 5
Expected life (years)	3	3	Up to 5	3	Up to 5
Risk-free rate	–	–	4.1%–4.2%	–	0.5%–0.7%
Expected dividends expressed as a dividend yield	–	–	8.6%–10.9%	n/a	5.1%–6.0%
Fair value per award/option (£)	2.59	2.59	0.43–0.51	3.34	1.06–1.33

The expected volatility is based on historical volatility over the last three or five years depending on the length of the option/award. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero coupon UK Government bonds of a similar duration to the life of the share option.

A reconciliation of award/share option movements during the year is shown below:

	RSP/CSOP		DBP/PSP		LTIS		SAYE	
Group	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2022	3,588,001	–	322,991	–	840,192	–	2,935,310	2.15
Awarded/granted	2,376,546	–	348,911	–	–	–	1,447,968	1.43
Lapsed	(857,811)	–	–	–	(831,785)	–	(1,303,236)	2.24
Vested	–	–	(85,798)	–	–	–	–	–
Exercised	–	–	–	–	–	–	(99,891)	1.83
Outstanding at 31 December 2022	5,106,736	–	586,104	–	8,407	–	2,980,151	1.77
Exercisable at 31 December 2022	–	–	–	–	–	–	20,427	2.04

30 Share-based payments continued
(a) Equity-settled schemes continued

Group	RSP/CSOP Number	RSP/CSOP Weighted average exercise price £	DBP/PSP Number	DBP/PSP Weighted average exercise price £	LTIS Number	LTIS Weighted average exercise price £	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January 2021	2,157,605	–	322,991	–	2,389,447	–	4,424,320	2.32
Awarded/granted	1,657,986	–	–	–	–	–	403,204	2.84
Lapsed	(227,590)	–	–	–	(1,549,255)	–	(1,774,090)	2.77
Exercised	–	–	–	–	–	–	(118,124)	1.82
Outstanding at 31 December 2021	3,588,001	–	322,991	–	840,192	–	2,935,310	2.15
Exercisable at 31 December 2021	–	–	–	–	–	–	64,192	5.38

The amounts included in the RSP/CSOP table reflect the total amount of shares awarded under both schemes.

Share awards outstanding under the LTIS at 31 December 2022 had an exercise price of £nil (2021: £nil) and a weighted average remaining contractual life of 0.2 years (2021: 0.3 years). Share options outstanding under the SAYE schemes at 31 December 2022 had exercise prices ranging from 143p to 501p (2021: 182p to 1,723p) and a weighted average remaining contractual life of 1.8 years (2021: 2.3 years). Share awards outstanding under the DBP/PSP schemes at 31 December 2022 had an exercise price of £nil (2021: £nil) and a weighted average remaining contractual life of 1.4 years (2021: 1.0 years). Share awards outstanding under the RSP at 31 December 2022 had an exercise price of £nil (2021: £nil) and a weighted average remaining contractual life of 1.7 years (2021: 2.2 years). Share awards outstanding under the CSOP at 31 December 2022 had an exercise price ranging from 241p to 334p (2021: 241p to 334p) and a weighted average remaining contractual life of 1.7 years (2021: 2.2 years).

Cash awards were granted under the PFEP to eligible employees that require the Group to pay amounts linked to a combination of salary, and the financial performance and share price performance of Vanquis Banking Group plc. The credit to the income statement in 2022 was £nil (2021: £0.5m) and the Group has a liability of £nil as at 31 December 2022 (2021: £nil).

Company	RSP/CSOP Number	RSP/CSOP Weighted average exercise price £	DBP/PSP Number	DBP/PSP Weighted average exercise price £	LTIS Number	LTIS Weighted average exercise price £	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January 2022	**1,851,182**	**–**	**242,170**	**–**	**533,449**	**–**	**331,032**	**2.05**
Awarded/granted	**1,545,768**	**–**	**256,204**	**–**	**–**	**–**	**338,746**	**1.43**
Lapsed	**(299,197)**	**–**	**–**	**–**	**(533,449)**	**–**	**(159,759)**	**2.00**
Vested	**–**	**–**	**(69,307)**	**–**	**–**	**–**	**–**	**–**
Transferred	**12,448**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercised	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Outstanding at 31 December 2022	**3,110,201**	**–**	**429,067**	**–**	**–**	**–**	**510,019**	**1.74**
Exercisable at 31 December 2022	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Company	RSP/CSOP Number	RSP/CSOP Weighted average exercise price £	DBP/PSP Number	DBP/PSP Weighted average exercise price £	LTIS Number	LTIS Weighted average exercise price £	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January 2021	934,625	–	242,170	–	1,279,367	–	340,836	2.03
Awarded/granted	947,693	–	–	–	–	–	46,953	2.84
Lapsed	(101,900)	–	–	–	(775,226)	–	(56,757)	2.58
Transferred	70,764	–	–	–	29,308	–	–	–
Exercised	–	–	–	–	–	–	–	–
Outstanding at 31 December 2021	1,851,182	–	242,170	–	533,449	–	331,032	2.05
Exercisable at 31 December 2021	–	–	–	–	–	–	1,204	5.38

30 Share-based payments continued

(a) Equity-settled schemes continued

Share options outstanding under the SAYE schemes at 31 December 2022 had exercise prices ranging from 143p to 323p (2021: 182p to 538p) and a weighted average remaining contractual life of 2.2 years (2021: 2.3 years). Share awards outstanding under the DBP/PSP schemes at 31 December 2022 had an exercise price of £nil (2021: £nil) and a weighted average remaining contractual life of 1.5 years (2021: 1.0 years). Share awards outstanding under the RSP at 31 December 2022 had an exercise price of £nil (2021: £nil) and a weighted average remaining contractual life of 1.7 years (2021: 2.3 years). Share awards outstanding under the CSOP at 31 December 2022 had an exercise price ranging from 241p to 334p (2021: 241p to 334p) and a weighted average remaining contractual life of 1.7 years (2021: 2.3 years).

There was no liability in the Group or Company in relation to the PFEP at 31 December 2022.

(b) Cash-settled scheme

Cash awards were granted under the PFEP to eligible employees that require the Group and Company to pay amounts linked to a combination of salary, and the financial performance and share price performance of Vanquis Banking Group plc. No awards have been granted since 2018. The credit to the income statement in 2022 was £nil for the Group (2021: £0.5m) and £nil for the Company (2021: £nil). The Group has a liability of £nil as at 31 December 2022 (2021: £nil) and £nil for the Company (2021: £nil).

31 Other reserves

Group	Profit retained by subsidiary £m	Capital redemption reserve £m	Share-based payment reserve £m	Fair value reserve £m	Total other reserves £m
At 1 January 2021	0.8	3.6	6.4	3.8	14.6
Other comprehensive income/(expense):					
– fair value movements transferred to income statement (note 15)	–	–	–	(5.2)	(5.2)
– tax on items taken directly to other comprehensive income (note 7)	–	–	–	1.4	1.4
Other comprehensive expense for the year	–	–	–	(3.8)	(3.8)
Share-based payment charge (note 30)	–	–	3.8	–	3.8
Transfer of share-based payment reserve on vesting of share awards	–	–	(4.8)	–	(4.8)
At 31 December 2021	0.8	3.6	5.4	–	9.8
At 1 January 2022	**0.8**	**3.6**	**5.4**	**–**	**9.8**
Share-based payment charge (note 30)	**–**	**–**	**5.1**	**–**	**5.1**
Transfer of share-based payment reserve on vesting of share awards	**–**	**–**	**(2.5)**	**–**	**(2.5)**
At 31 December 2022	**0.8**	**3.6**	**8.0**	**–**	**12.4**

The capital redemption reserve represents profits on the redemption of preference shares arising in prior years, together with the capitalisation of the nominal value of shares purchased and cancelled, net of the utilisation of this reserve to capitalise the nominal value of shares issued to satisfy scrip dividend elections.

The share-based payment reserve reflects the corresponding credit entry to the cumulative share-based payment charges made through the income statement as there is no cash cost or reduction in assets from the charges. When options and awards vest, that element of the share-based payment reserve relating to those awards and options is transferred to retained earnings.

The movements in 2021 through the fair value reserve reflect the transfer of investments held at fair value through other comprehensive income to fair value through P&L, net of deferred tax (see note 15).

Company	Capital redemption reserve £m	Share-based payment reserve £m	Total other reserves £m
At 1 January 2021	3.6	6.4	10.0
Share-based payment charge (note 30)	–	1.7	1.7
Transfer of share-based payment reserve on vesting of share awards	–	(0.8)	(0.8)
Share-based payment movement in investment in subsidiaries	–	(1.9)	(1.9)
At 31 December 2021	3.6	5.4	9.0
At 1 January 2022	**3.6**	**5.4**	**9.0**
Share-based payment charge (note 30)	**–**	**2.9**	**2.9**
Transfer of share-based payment reserve on vesting of share awards	**–**	**(1.4)**	**(1.4)**
Share-based payment movement in investment in subsidiaries	**–**	**1.1**	**1.1**
At 31 December 2022	**3.6**	**8.0**	**11.6**

31 Other reserves continued

Company distributable reserves include: (i) retained earnings, adjusted to reflect the unrealised gain on the retirement benefit asset; (ii) share-based payment reserve, net of deferred tax and the IFRIC 11 adjustment; and (iii) merger reserve. The distributable reserves do not include distributable reserves currently held within subsidiary companies.

32 Related party transactions

The Company recharges the pension scheme referred to in note 21 with a proportion of the costs of administration and professional fees incurred by the Company. The total amount recharged during the year was £0.3m (2021: £0.3m) and the Company amount payable to the pension scheme at 31 December 2022 was £0.2m (2021: £0.1m).

Details of the transactions between the Company and its subsidiary undertakings, which comprise management recharges and interest charges on intra-group balances, along with any balances outstanding at 31 December, are set out below:

	2022			2021		
Company	Management recharge £m	Interest credit £m	Outstanding balance £m	Management recharge £m	Interest credit £m	Outstanding balance £m
Vanquis Bank	19.9	1.0	114.2	8.4	4.4	(35.6)
Moneybarn	8.5	–	–	3.5	–	–
CCD	–	–	25.2	3.6	–	16.5
Provident Financial Holdings	–	(56.6)	778.0	–	(52.6)	739.5
Other central companies	(12.6)	0.3	72.6	1.3	–	63.1
Total related party transactions	15.8	(55.3)	990.0	16.8	(48.2)	783.5

The outstanding balance represents the gross intercompany balance receivable to/(payable by) the Company.

In August 2020 Vanquis Bank provided the Company with a £70m intercompany loan facility to allow upstream funding. The loan had a two-year term and an interest rate of 6.25%. The loan was fully utilised up until 30 June 2022 when it was repaid in full. During 2022 funds were placed on deposit via Vanquis Bank with the Bank of England. The amount as at 31 December 2022 of £90m is included in the amounts receivable from Vanquis Bank.

The 2022 outstanding balance reflects the £90m placed on deposit via Vanquis Bank, the year-end management recharges and Group relief on trading losses which were settled shortly after the year end by Vanquis Bank. The 2021 outstanding balance also reflects the difference between the £70m loan provided and the year-end management recharges and Group relief on trading losses.

In December 2020, a new subsidiary holding company, Provident Financial Holdings Limited (PFH), was incorporated which simplified the intercompany relationships across the Group. As part of that process certain intercompany loans with Moneybarn and CCD were transferred from the Company to PFH and equivalent loans were entered into between the Company and PFH.

The following facilities are provided from the Company via PFH to its subsidiaries: (i) £290m to Provident Personal Credit Limited; (ii) £684m facility provided to Moneybarn No. 1 Limited and an upwards funding facility of £396m provided from Moneybarn No. 1 Limited to PFH; and (iii) £85m facility to PFG Corporate Services Limited. A £50m and £114m facility were provided directly to PFH from the Company. The intercompany loans accrue interest at the Company's monthly weighted average cost of funds plus a margin.

The net charge to the income statement for both intercompany and investment provisions in 2022 is £28.8m (2021: £16.5m).

PFH approved and paid dividends totalling £95.1m in 2022 (2021: £85.0m). PFH received equivalent dividends from Vanquis Bank. Dividends were also received totalling £20.2m (2021: £3.8m) in relation to non-trading and dormant companies as part of the preliquidation steps before they were placed into members' voluntary liquidation.

There are no transactions with directors other than those disclosed in the Directors' Remuneration Report.

33 Contingent liabilities

During the ordinary course of business the Group is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, agents, customers, investors or third parties. This extends to legal and regulatory reviews, challenges, investigations and enforcement actions combined with tax authorities taking a view that is different to the view the Group has taken on the tax treatment in its tax returns, both in the UK and overseas. All such material matters are periodically assessed, with the assistance of external professional advisors, where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established for management's best estimate of the amount required at the relevant balance sheet date. In some cases it may not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters. However, the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

34 Reconciliation of profit/(loss) after taxation to cash (used in)/generated from operations

		Group		Company	
	Note	2022 £m	2021 £m	2022 £m	2021 £m
Profit/(loss) after taxation		**77.4**	(32.1)	**64.1**	2.7
Adjusted for:					
– tax charge/(credit)	7	**22.0**	36.2	**(4.0)**	(19.5)
– finance costs	4	**65.0**	61.2	**35.7**	33.7
– exceptional costs on redemption of bonds	4	**–**	3.9	**–**	–
– finance income		**–**	–	**(57.2)**	(51.7)
– dividends received	32	**–**	–	**(115.3)**	(88.8)
– share-based payment charge	30	**5.1**	3.8	**2.9**	1.7
– retirement benefit (credit)/charge prior to exceptional pension credit	21	**(0.5)**	0.9	**(0.5)**	(1.8)
– exceptional pension credit	21	**–**	(2.3)	**–**	(2.3)
– amortisation of intangible assets	19	**16.0**	18.2	**–**	–
– provisions created in the year	25	**3.7**	22.4	**2.6**	5.0
– provisions released in the year	25	**(3.6)**	–	**–**	–
– exceptional release of provisions	25	**(4.6)**	–	**–**	–
– provisions utilised in the year	25	**(64.0)**	(41.3)	**(6.0)**	(16.5)
– depreciation of property, plant and equipment and right of use assets	16	**12.1**	15.3	**2.9**	3.0
– loss/(profit) on disposal of property, plant and equipment	16	**0.9**	(0.3)	**–**	–
– loss/(profit) on disposal of intangible assets	19	**2.2**	(0.4)	**–**	–
– profit on lease disposal	17	**–**	(1.2)	**–**	–
– provision for investment impairment		**–**	–	**29.4**	38.7
– provision for intercompany impairment		**–**	–	**(1.8)**	(18.6)
– hedge ineffectiveness	22	**(3.7)**	(0.2)	**(1.1)**	–
– proceeds from derivatives		**11.8**	–	**11.8**	–
– cumulative fair value movements on Visa shares transferred to income statement	15	**–**	(5.2)	**–**	–
– current year fair value movements on Visa shares	15	**(1.6)**	0.1	**–**	–
– contributions into the retirement benefit scheme	21	**(2.2)**	(4.0)	**(2.2)**	(1.3)
Changes in operating assets and liabilities:					
– amounts receivable from customers		**(226.3)**	122.1	**–**	–
– trade and other receivables		**(22.8)**	12.7	**(55.5)**	11.1
– trade and other payables		**(31.2)**	30.7	**(12.4)**	(6.3)
Cash (used in)/generated from operations		**(144.3)**	240.5	**(106.6)**	(110.9)

The increase (2021: decrease) movement in amounts receivable from customers of £226.3m (2021: £122.1m) includes the non-cash movement in the impairment provision are set out below.

Group	2022 £m	2021 £m
Cash movement in amounts receivable from customers	**(217.2)**	495.3
Non-cash provision movement – allowance account	**(9.1)**	(373.2)
Net movement in amounts receivable from customers	**(226.3)**	122.1

34 Reconciliation of profit/(loss) after taxation to cash (used in)/generated from operations continued

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	2022								
		Cash changes		Non-cash changes					
Group	1 January 2022 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	Derivatives £m	Lease additions and disposals £m	31 December 2022 £m
Total borrowings (note 27)	(1,863.7)	(41.6)	–	(7.4)	(10.5)	2.6	4.6	–	(1,916.0)
Lease liabilities (note 26)	(58.9)	–	10.8	–	(1.2)	–	–	–	(49.3)
Total	(1,922.6)	(47.4)	10.8	(7.4)	(4.3)	2.6	4.6	–	(1,963.7)

	2021								
		Cash changes		Non-cash changes					
Group	1 January 2021 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	Derivatives £m	Lease additions and disposals £m	31 December 2021 £m
Total borrowings (note 27)	(2,203.2)	335.5	–	(4.8)	11.0	(2.2)	–	–	(1,863.7)
Lease liabilities (note 26)	(69.4)	–	11.1	–	(1.5)	–	–	0.9	(58.9)
Total	(2,272.6)	335.5	11.1	(4.8)	9.5	(2.2)	–	0.9	(1,922.6)

	2022							
		Cash changes		Non-cash changes				
Company	1 January 2022 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Derivatives £m	Included within overdrafts £m	31 December 2022 £m
Total borrowings (note 27)	(395.3)	30.0	–	(1.5)	(3.6)	4.6	–	(365.8)
Lease liabilities (note 26)	(18.9)	–	2.6	–	(0.4)	–	–	(16.7)
Total	(414.2)	30.0	2.6	(1.5)	(4.0)	4.6	–	(382.5)

	2021							
		Cash changes		Non-cash changes				
Company	1 January 2021 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Derivatives £m	Included within overdrafts £m	31 December 2021 £m
Total borrowings (note 27)	(369.0)	(22.3)	–	(1.3)	(2.7)	–	–	(395.3)
Lease liabilities (note 26)	(21.9)	–	3.3	–	(0.3)	–	–	(18.9)
Total	(390.9)	(22.3)	3.3	(1.3)	(3.0)	–	–	(414.2)

35 Post-balance sheet events

Concluding in early 2023, the PRA have conducted a Capital Supervisory Review and Evaluation Process (C-SREP) of the Group's capital requirements, based on the ICAAP approved in September 2022. The outcome is that the Group's Total Capital Requirement own funds requirements has reduced by more than a third, from 18.3% to 11.9%. Including the current regulatory combined buffers of 3.5% (capital conservation buffer of 2.5% and countercyclical buffer of 1.0%), the Group's overall capital requirement has reduced by 6.4% from 21.8% to 15.4% (excluding any confidential buffers, if applicable). The reduction in capital requirements partly reflects the Group's successful repositioning as a specialist banking group focused on lower risk customers, the receipt of the Core UK Group Waiver in November 2022, which enables the Group to leverage its retail deposit funding capabilities to fund its other lending products, and the significant amount of work undertaken to strengthen the Group-wide risk management framework.

36 Details of subsidiary undertakings

The subsidiary undertakings of the Group at 31 December 2022 are shown below. The Company is the parent or ultimate parent of all subsidiaries and they are all 100% owned by the Group.

Company name	Company number
Registered at No. 1 Godwin Street, Bradford BD1 2SU:	
Provident Financial Holdings Limited	13061852
Provident SPV Limited[1]	12988335
Vanquis Bank Limited[1]	2558509
Provident Financial Management Services Limited[1]	328933
Provident Personal Credit Limited[1]	146091
Greenwood Personal Credit Limited[1]	125150
N&N Simple Financial Solution Limited[1]	3803565
Cheque Exchange Limited[1]	2927947
Provident Investments Limited	4541509
PFG Corporate Services Limited[1]	13423666
Provfin Limited[1]	1879771
Provident Yes Car Credit Limited	4253314
Provident Financial Group Limited	194214
Yes Car Credit Limited	3459042
Aquis Cards Limited	7036307
HT Greenwood Limited[1]	954387
Provident Financial Trustees (Performance Share Plan) Limited	4625062
Registered at Athena House, Bedford Road, Petersfield, Hampshire GU32 3LJ:	
Moneybarn No. 1 Limited[1]	4496573
Duncton Group Limited[1]	6308608
Moneybarn Group Limited[1]	4525773
Moneybarn Limited[1]	2766324

1 Companies whose immediate parent is not Vanquis Banking Group plc.

Company name	Company number
Registered at C/O DWF LLP, 2 Semple Street, Edinburgh EH3 8BL:	
First Tower LP (1) Limited	SC122077
First Tower LP (2) Limited	SC125164
First Tower LP (3) Limited	SC129388
First Tower LP (4) Limited	SC118423
First Tower LP (5) Limited	SC127062
First Tower LP (6) Limited	SC127489
First Tower LP (7) Limited	SC127807
First Tower LP (8) Limited	SC118257
First Tower LP (9) Limited	SC118428
First Tower LP (10) Limited	SC118426
First Tower LP (11) Limited	SC122181
First Tower LP (12) Limited	SC129378
Lawson Fisher Limited	SC004758

36 Details of subsidiary undertakings continued

The following companies act as a vehicle to allow the securitisation of the Moneybarn customer receivables and Vanquis Bank Limited's TFSME. These companies are not owned by Vanquis Banking Group plc but form part of the consolidated Group due to meeting the requirements of IFRS 10 'Consolidated Financial Statements'.

Company name	Company number
Registered at 5th Floor, 100 Wood Street, London, England EC2V 7EX:	
Moneybarn Financing Limited	12323134

Company name	Company number
Registered at 5th Floor, 5 Churchill Place, London, England E14 5HU:	
Oban Cards 2021-1 Holdings Limited	12754762
Oban Cards 2021-1 PLC	12757121
Oban Cards Receivables Trustee Limited	12756504

The following subsidiaries are taking an audit exemption and are therefore exempt from the requirement to the audit of accounts under section 479A of the Companies Act 2006.

Company name	Company number
Provident Investments Limited	4541509
N&N Simple Financial Solution Limited	3803565
Provfin Limited	1879771
Provident Yes Car Credit Limited	4253314
Provident Financial Group Limited	194214
Duncton Group Limited	6308608
Moneybarn Group Limited	4525773
Lawson Fisher Limited	SC004758
First Tower LP (1) Limited	SC122077
First Tower LP (2) Limited	SC125164
First Tower LP (3) Limited	SC129388
First Tower LP (4) Limited	SC118423
First Tower LP (5) Limited	SC127062
First Tower LP (6) Limited	SC127489
First Tower LP (7) Limited	SC127807
First Tower LP (8) Limited	SC118257
First Tower LP (9) Limited	SC118428
First Tower LP (10) Limited	SC118426
First Tower LP (11) Limited	SC122181
First Tower LP (12) Limited	SC129378

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Vanquis Banking Group plc (the parent company) and its subsidiaries (the Group) give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in shareholders equity;
- the consolidated and parent cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 6 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – the estimation of expected credit losses in Credit Cards and Vehicle Finance; and – the valuation of the pension obligation. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group and parent company financial statements was £6.07m and £5.76m respectively which was determined on the basis of 1% of net assets.
Scoping	The Group has moved from recognising two continuing operating segments to three for the current year. The Group now is organised into three continuing operating segments: Credit Cards, Personal Loans and Vehicle Finance. Therefore, our Group audit scope focused on Credit Cards, Personal Loans and Vehicle Finance, which, together with the parent company, account for 100% of the Group's net assets.
Significant changes in our approach	In relation to our key audit matter, the estimation of expected credit losses in Credit Cards and Vehicle Finance specifically the in-model and post-model adjustments (IMAs/PMAs), we understand that the Group has continued to unwind the Covid-19 IMAs in Credit Cards as expected. They have continued to retain a cost-of-living overlay in Credit Cards and introduced one in Vehicle Finance due to the continued economic uncertainties including the higher inflationary environment. As a result, we have focused our key audit matter to the valuation of the cost-of-living overlays rather than focusing on all IMAs/PMAs for this year's audit. We no longer consider the significant increases in credit risk (SICR) to be a key audit matter for Vehicle Finance. This is due to no revisions being made to the SICR model during the year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- evaluating management's going concern assessment, which includes stress testing and point of non-viability (PONV) analysis as well as consideration of the transformation projects ongoing across the Group, in order to understand, evaluate and assess the key judgements made by management;
- obtaining an understanding of relevant controls around management's going concern assessment and the forecasting process at both a divisional and Group level;
- inspecting correspondence with regulators to understand the capital and liquidity requirements imposed on the Group by the Prudential Regulation Authority (PRA), and evaluated any changes to those requirements;
- with involvement of our prudential regulation specialists:
  - reading the most recent Internal Capital Adequacy Assessment and Internal Liquidity Adequacy Assessment, assessing management's capital and liquidity projections, assessing the results of management's capital and liquidity stress testing and evaluating key assumptions and methods used in the capital and liquidity stress testing models; and
  - assessed and evaluated the forecasts, including reconciling opening capital and liquidity ratios to the year-end Common Reporting Framework regulatory submissions and assessing whether the year-end balance sheet within the model was consistent with the audited position; and
- assessing the appropriateness of the disclosures made in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Estimation of expected credit losses in Credit Cards and Vehicle Finance	
Key audit matter description	The Group holds portfolios of receivables from credit card, personal loans and vehicle financing arrangements, totalling £1,896.1m (2021: £1,677.7m), net of provisions. Whilst the Group's provision for impairment against amounts receivable from customers is £605.8m (2021: £614.9m). Within Credit Cards, management has recognised a total ECL provision of £270.4m as at 31 December 2022 (2021: £353.8m) on gross receivables of £1,452.0m (2021: £1,417.2m). Within Vehicle Finance, management has recognised a total ECL provision of £326.2m as at 31 December 2022 (2021: £255.5m) on gross receivables of £972.3m (2021: £841.7m). The IFRS 9 expected credit losses on amounts receivable from customers are calculated by modelling expected credit performance of the receivables' portfolios. The underlying modelling techniques are complex and require management to make significant judgements regarding the quantum and timing of expected future cash flows to calculate expected credit losses. Provisions for expected credit losses are an area of management judgement where there is a risk of fraud due to the potential ability of management to introduce inappropriate bias to judgements made in the estimation process. IFRS 9 requires that an impairment assessment should be the best estimate of expected credit losses and that reasonable forward-looking information should be incorporated into the calculation as at the balance sheet date. The ongoing impacts of the cost-of-living crisis, alongside uncertainties in the macroeconomic environment and inflationary pressures, mean there exists a wide range of scenarios with different loss outcomes. The key economic variables relevant for the Group's portfolio were determined to be the hazard rate, which is the likelihood of shifting from employment to unemployment in a given time period, and debt-to-income (DTI) ratios. The hazard rate is not a widely used variable for which forecasts are published; however, there is a strong correlation between hazard rates and unemployment such that hazard rates can be predicted based on unemployment forecasts. There is significant judgement in determining the probability weighting of the scenarios adopted by management and the associated assumptions.

Financial statements

5. Key audit matters continued

5.1. Estimation of expected credit losses in Credit Cards and Vehicle Finance continued	
Key audit matter description continued	The expected credit loss provision estimate is driven by account-specific estimation of probability of default (PD), exposure at default (EAD) and loss given default (LGD) which represent the key areas of judgement. Across both Credit Cards and Vehicle Finance, we have focused our key audit matter to macroeconomic inputs and Cost-of-Living (CoL) post-model adjustments (PMAs). Management has recognised a £10.5m (2021: £7.8m) PMA for CoL. The PMA is based on management judgement in light of the current economic environment and is supported by scenario modelling techniques. For Credit Cards, we have also focused our key audit matter to the significant changes in credit risk (SICR) thresholds and 12-month probability of default (12m PD) recalibration. The key judgement in relation to SICR is around the determination of the point at which a relative change in PD constitutes a SICR. Whilst historical data can be used to inform these thresholds it also requires significant management judgement to determine the criteria that best evidences this SICR. Management has recalibrated the 12m PD model and SICR thresholds this year, which has resulted in a £50m reduction in the Credit Cards expected credit loss. Further detail in respect of these is set out in the statement of accounting policies, in the amounts receivables from customers note of the financial statements and also within the Strategic Report.
How the scope of our audit responded to the key audit matter	**Control procedures** Within Credit Cards and Vehicle Finance we obtained an understanding of relevant controls relating to the identification, valuation and recording of expected credit losses. **Substantive procedures** We obtained an understanding of the methodology changes in the IFRS 9 models in Credit Cards relating to the SICR and 12m PD recalibration. We involved our credit risk modelling specialists to assist in our assessment and challenge of management's methodology and assessed these methodology changes against the requirements of IFRS 9. In performing these procedures, we further considered whether there were any indicators of bias in the methodology applied by management or in the estimation of the amount and timing of expected future cash flows, through a stand back assessment performed on the ECL coverage ratios derived from the models. In addition, we have tested that the methodology changes have been reflected in the models through assessment of the underlying scripts, tested the completeness and accuracy of the data used to form the 12m PD and SICR thresholds and evaluated management's conclusions regarding the appropriateness of the changes in the current macroeconomic environment. In respect of the macroeconomic scenarios applied we involved our economics specialist to assess the appropriateness of the shape of the hazard rate and DTI curves and the respective weightings attached to the curves, whilst also testing the underlying data used in this assessment for completeness and accuracy. We benchmarked the underlying unemployment economic variables against various external sources including His Majesty's Treasury forecasts, Prudential Regulation Authority, Office for National Statistics, and other available data. In respect of the Cost-of-Living PMA for Credit Cards and Vehicle Finance, with involvement of our credit modelling specialists we assessed the appropriateness of the methodology and assumptions applied by management in determining the value of the CoL adjustment. This included performing benchmarking of the ECL against peers to inform our assessment and evaluating the results of the scenario modelling techniques performed by management and the appropriateness of the underlying assumptions. We also evaluated management's credit risk monitoring analysis to determine whether any significant deterioration in customer performance has occurred to date.
Key observations	Based on our substantive testing we found that the provision for expected credit losses in Credit Cards and Vehicle Finance is appropriate. We considered the macroeconomic assumptions and weightings and the assumptions underpinning the Cost-of-Living PMAs to be reasonable in both Credit Cards and Vehicle Finance. Within Credit Cards, we considered the SICR thresholds and 12m PD recalibration to be appropriate.

5. Key audit matters continued

5.2. Valuation of the pension obligation	
Key audit matter description	Under IAS 19, the value of the defined benefit pension scheme is to be recognised on the Group's balance sheet, reflecting an actuarial valuation of the assets and liabilities of the scheme at the balance sheet date. The valuation of the pension obligation involves judgements in relation to inflation, discount and mortality rates. The most critical element identified was the discount rate assumption as set out in the sensitivity analysis in note 21. The valuation of the pension obligation is an area of management judgement where there is a risk of fraud due to the potential ability of management to introduce inappropriate bias to judgements made in the valuation process. The pension obligation is £490.0m as at 31 December 2022 (2021: £786.6m). Further detail in respect of these assumptions is set out in the statement of accounting policies, the retirement benefit asset note in the financial statements and within the Audit Committee Report.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls surrounding the determination of the discount rate and other inputs used in the pension valuation. We involved our actuarial specialists to assist us in evaluating the appropriateness of the principal actuarial assumptions used in the calculation of the pension obligation being the discount rate, mortality rates and inflation rates. We also challenged and benchmarked management's assumptions against those used by a range of organisations as at 31 December 2022 and considered the consistency of those judgements compared with the prior year.
Key observations	All assumptions, including the discount rate adopted by management, are within what we considered to be an acceptable range.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£6.07m (2021: £6.32m)	£5.76m (2021: £6.00m)
Basis for determining materiality	1% of net assets (2021: 1% of net assets)	1% of net assets (2021: 1% of net assets) capped at 95% of Group materiality
Rationale for the benchmark applied	Our benchmark upon which materiality is determined is consistent with the prior period. We determined that net assets continue to be a more stable and relevant measure used by investors, regulators and stakeholders when assessing the performance and longer-term prospects of the Group and parent company as well as the importance of net assets to the Group's regulatory capital position.	

Financial statements

6. Our application of materiality continued

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2021: 70%) of Group materiality	70% (2021: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered a number of factors, including: our understanding of the control environment and controls reliance obtained; our understanding of the business; and the number of uncorrected misstatements identified in the prior year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.30m (2021: £0.32m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group is organised into three continuing operating segments: Credit Cards; Personal Loans and Vehicle Finance. Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Therefore, our Group audit scope focused on Credit Cards, Personal Loans and Vehicle Finance, which, together with the parent company, account for 100% of the Group's net assets. Credit Cards, Personal Loans and Vehicle Finance are audited by separate engagement teams led by the Group audit partner.

7.2. Our consideration of the control environment

We identified the financial reporting, lending and deposit business cycles to be the most relevant to the audit, including the identification, valuation and recording of expected credit losses. We were able to take a controls reliance approach over the Credit Cards segment deposit business cycles and credit card lending and with involvement of our IT specialists we tested and relied upon IT controls across the aforementioned credit card lending and deposit systems identified. Credit Cards outsources the processing of customer deposits and card transaction processing to a third party. We involved our IT specialists to review the service auditor's report. We have shared observations from our procedures with management and the Audit Committee. The assessment of the Group's internal control environment is set out on pages 103 to 107.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of climate change which is currently being considered using three scenarios: early action, late action and no additional action, as explained in the Strategic Report. Management has performed forward-looking qualitative and quantitative scenario analysis to explore the potential range of climate change implications on the Group. Over the next year, management will continue to enhance their quantitative assessment of the potential financial impacts of climate change on the Group.

As part of our audit, we have obtained management's climate-related risk assessment and held discussions with the Head of Sustainability, the Chief Risk Officer and finance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has identified there to be no material impact arising from climate change on the judgements and estimates made in the financial statements as explained in the statement of accounting policies note on page 163.

We performed our own qualitative and quantitative risk assessment of the potential impact of climate change material misstatement. Our procedures included reading disclosures included in the Strategic Report with the involvement of our climate change and sustainability specialists and audit team consideration as to whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also evaluated whether appropriate disclosures have been made in the financial statements.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, share-based payments, data analytics, information technology, prudential regulatory, climate change and sustainability specialists, forensic, macroeconomic and credit risk modelling specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the estimation of expected credit losses in Credit Cards and Vehicle Finance and valuation of the pension obligation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulation set by the Financial Conduct Authority and the Prudential Regulation Authority relating to the Group's regulatory capital and liquidity requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified estimation of expected credit losses in Credit Cards and Vehicle Finance and valuation of the pension obligation as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as the Prudential Regulation Authority, the Financial Conduct Authority and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006
In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

13. Corporate Governance Statement
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate;
- the directors' statement on fair, balanced and understandable;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- the section describing the work of the Audit Committee.

14. Matters on which we are required to report by exception
14.1. Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the directors on 29 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 31 December 2012 to 31 December 2022.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This Auditor's Report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
30 March 2023

In addition to statutory results and KPIs reported under International Financial Reporting Standards (IFRS), the Group provides certain alternative performance measures (APMs). These APMs are used internally by management and are also deemed helpful in understanding the Group's performance. These non-statutory measures should not be considered as replacements for IFRS measures.

Changes to terminology and alternative performance measures

In line with our continued repositioning as a specialist banking group, we have taken the decision in the current year to change the presentation of our income statement to align with the wider banking industry. See page 158 in the statement of accounting policies for further details on the change in presentation. In line with these changes and to more closely align to our peers in the industry, the Group has implemented updated APMs to provide more relevant and reliable information for stakeholders. The changes to APMs are summarised below and all presented APMs have been retrospectively re-presented in line with these changes. Unless stated below all other APMs are presented consistently with prior years.

New terminology	Previous terminology
Net interest margin (£) – Interest income less interest expense, excluding exceptional items for the 12 months ended 31 December	Net interest margin (£) – Total revenue less interest expense, excluding exceptional items for the 12 months ended 31 December
Risk-adjusted income (£) – Total income, excluding exceptional items less impairment charges for the 12 months ended 31 December	Risk-adjusted margin (£) – Net interest margin, excluding exceptional items less impairment for the 12 months ended 31 December

New APM	Previous APM
Average gross receivables – Average of gross customer interest earning balances for the 13 months ended 31 December	Average receivables – Average of net reported receivables for the 12 months ended 31 December
Net interest margin (NIM) – Interest income less interest expense, excluding exceptional items for the 12 months ended 31 December as a percentage of average gross receivables	Net interest margin (NIM) – Revenue less funding costs, excluding exceptional items for the 12 months ended 31 December as a percentage of average net receivables
Risk-adjusted margin – Total income, excluding exceptional items less impairment charge for the 12 months ended 31 December as a percentage of average gross receivables	Risk-adjusted net interest margin – NIM less impairment, excluding exceptional items for the 12 months ended 31 December as a percentage of average net receivables
Asset yield – Interest income for the 12 months ended 31 December as a percentage of average gross receivables	Revenue yield – Revenue for the 12 months ended 31 December as a percentage of average net receivables
Interest margin – Interest expense, excluding exceptional items for the 12 months ended 31 December as a percentage of average gross receivables	Interest margin – Finance costs for the 12 months ended 31 December as a percentage of average net receivables
Cost of risk – Impairment charges for the 12 months ended 31 December as a percentage of average gross receivables	Impairment rate/cost of risk – Impairment charges for the 12 months ended 31 December as a percentage of average net receivables
Cost:income ratio – Operating costs, excluding exceptional items as a percentage of total income, excluding exceptional items for the 12 months ended 31 December	Cost:income ratio – Operating costs, excluding exceptional items as a percentage of net interest margin, excluding exceptional items for the 12 months ended 31 December
Adjusted return on assets (ROA) – Adjusted profit after tax for the 12 months ended 31 December as a percentage of average total assets for the 13 months ended 31 December	Adjusted return on assets (ROA) – Adjusted profit before interest after tax for the 12 months ended 31 December as a percentage of average net receivables
Adjusted return on equity (ROE) – Adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted equity for the 13 months ended 31 December. Adjusted equity is stated after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax	Adjusted return on equity (ROE) – Adjusted profit after tax for the 12 months ended 31 December as a percentage of average opening and closing adjusted equity. Adjusted equity is stated after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax
Adjusted return on tangible equity (ROTE) – Adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted tangible equity for the 13 months ended 31 December. Adjusted tangible equity is stated as equity after deducting the Group's pension asset, net of deferred tax, the fair value of derivative financial instruments, net of deferred tax less intangible assets and goodwill	Adjusted return on tangible equity (ROTE) – Adjusted profit after tax for the 12 months ended 31 December as a percentage of average opening and closing tangible equity. Average tangible equity reflects average equity over the period less intangible assets and goodwill
Adjusted return on required equity (RORE) – Adjusted profit after tax for the 12 months ended 31 December as a percentage of the Group's average PRA regulatory capital requirement including PRA buffers for the 13 months ended 31 December	Adjusted return on required equity (RORE) – Adjusted profit after tax for the 12 months ended 31 December as a percentage of the Group's average opening and closing PRA regulatory capital requirement including PRA buffers for the period

APM	31 December 2022		31 December 2021	
	New	Previous	New	Previous
Net interest margin	21.0%	28.1%	20.5%	30.0%
Risk-adjusted margin	20.3%	24.2%	20.8%	26.9%
Asset yield	23.9%	31.5%	22.8%	33.1%
Interest margin	2.9%	3.4%	2.4%	3.0%
Cost of risk	3.2%	3.8%	2.4%	3.1%
Cost:income ratio	59.9%	60.1%	54.8%	55.1%
Adjusted return on assets (ROA)	3.8%	7.9%	5.3%	11.5%
Adjusted return on equity (ROE)	17.1%	17.2%	25.6%	25.5%
Adjusted return on tangible equity (ROTE)	22.2%	19.8%	32.2%	27.7%
Adjusted return on required equity (RORE)	22.2%	21.4%	32.3%	32.6%

Definitions, numerical reconciliations and relevance of APMs presented within this report are set out below. The definition of these non-statutory measures may not be comparable to similarly titled measures reported by other companies. All the below APMs are on a continuing operations basis.

APM	Method of calculation	Relevance
Adjusted profit before tax – continuing operations	A reconciliation of adjusted profit before tax to statutory profit before tax for continuing operations is shown below:	Adjusted profit before tax for continuing operations excludes the impact of amortisation of acquisition intangibles and exceptional items and is used to provide further clarity on the ongoing, underlying financial performance of the divisions and Group.

Year ended 31 December

	2022				2021			
Continuing operations	Adjusted £m	Exceptionals £m	Amortisation £m	Statutory £m	Adjusted £m	Exceptionals £m	Amortisation £m	Statutory £m
Interest income	486.9	–	–	486.9	473.9	–	–	473.9
Interest expense	(58.8)	–	–	(58.8)	(49.1)	(3.9)	–	(53.0)
Net interest income	428.1	–	–	428.1	424.8	(3.9)	–	420.9
Net fee and commission income	44.2	–	–	44.2	57.4	–	–	57.4
Other income	8.4	–	–	8.4	0.4	–	–	0.4
Total income	480.7	–	–	480.7	482.6	(3.9)	–	478.7
Impairment charges	(66.1)	–	–	(66.1)	(50.4)	–	–	(50.4)
Risk-adjusted income	414.6	–	–	414.6	432.2	(3.9)	–	428.3
Operating costs	(288.0)	(9.0)	(7.5)	(304.5)	(264.4)	(14.2)	(7.5)	(286.1)
Profit/(loss) before tax	126.6	(9.0)	(7.5)	110.1	167.8	(18.1)	(7.5)	142.2
– Credit cards	178.5				173.9			
– Vehicle finance	38.0				28.9			
– Personal loans	(15.7)				(8.7)			
– Central costs	(74.2)				(26.3)			
Adjusted profit before tax	126.6				167.8			

Adjusted profit before tax for continuing operations is stated before £7.5m (2021: £7.5m) of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 and exceptional items.

APM	Method of calculation	Relevance
Net interest margin (NIM)	Interest income less interest expense, excluding exceptional items for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the returns generated from customers to allow comparison to other banks and banking groups.

	2022 £m	2021 £m
Interest income	486.9	473.9
Interest expense	(58.8)	(49.1)
Net interest income	428.1	424.8
Average gross receivables	2,039.4	2,075.9
NIM (%)	21.0%	20.5%

APM	Method of calculation	Relevance
Risk-adjusted margin	Total income, excluding exceptional items less impairment charge for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the returns from customers after impairment charges.

	2022 £m	2021 £m
Total income	480.7	482.6
Impairment	(66.1)	(50.4)
Risk-adjusted income	414.6	432.2
Average gross receivables	2,039.4	2,075.9
Risk-adjusted margin (%)	20.3%	20.8%

APM	Method of calculation	Relevance
Asset yield	Interest income for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the returns generated from customer receivables to allow comparison to other banks and banking groups.

	2022 £m	2021 £m
Interest income	486.9	473.9
Average gross receivables	2,039.4	2,075.9
Asset yield (%)	23.9%	22.8%

APM	Method of calculation	Relevance
Interest margin	Interest expense, excluding exceptional items for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the cost of funding the customer receivables to allow comparison to other banks and banking groups.

	2022 £m	2021 £m
Interest expense	(58.8)	(49.1)
Average gross receivables	2,039.4	2,075.9
Cost of funds (%)	2.9%	2.4%

APM	Method of calculation	Relevance
Cost of risk	Impairment charge for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the cost of impairment charges on customer receivables to allow comparison to other banks and banking groups.

	2022 £m	2021 £m
Impairment charges	(66.1)	(50.4)
Average gross receivables	2,039.4	2,075.9
Cost of risk (%)	3.2%	2.4%

APM	Method of calculation	Relevance
Average gross receivables	Average of gross customer interest earning balances for the 13 months ended 31 December.	This is used to smooth the seasonality of receivables across the divisions in calculating performance KPIs.

	2022 £m	2021 £m
Credit cards	1,331.9	1,379.2
Vehicle finance	656.6	671.1
Personal loans	50.9	25.6
Total average gross receivables	2,039.4	2,075.9

APM	Method of calculation	Relevance
Cost:income ratio	Operating costs, excluding exceptional items as a percentage of total income, excluding exceptional items for the 12 months ended 31 December.	This ratio is a measure of the efficiency of the Group's cost base.

	2022 £m	2021 £m
Total income	480.7	482.6
Operating costs	(288.0)	(264.4)
Cost:income ratio	59.9%	54.8%

APM	Method of calculation	Relevance
Adjusted basic earnings per share (EPS)	Profit after tax, excluding the amortisation of acquisition intangibles and exceptional items, divided by the weighted average number of shares in issue (see note 8 for more details).	This is used to assess the Group's operational performance from continuing operations per ordinary share. It removes the effect of amortisation of acquisition intangibles and exceptional items.
Adjusted return on assets (ROA)	Adjusted profit after tax for the 12 months ended 31 December as a percentage of average total assets for the 13 months ended 31 December.	This measures the return a company generates from its assets.

	2022 £m	2021 £m
Adjusted profit before tax	126.6	167.8
Tax charge	(29.4)	(23.7)
Adjusted profit after tax	97.2	144.1
Average total assets	2,574.1	2,697.5
ROA	3.8%	5.3%

APM	Method of calculation	Relevance
Adjusted return on equity (ROE)	Adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted equity for the 13 months ended 31 December. Adjusted equity is stated after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax.	ROE shows the return being generated from the shareholders' equity retained in the business.

	2022 £m	2021 £m
Adjusted profit before tax	126.6	167.8
Tax charge	(29.4)	(23.7)
Net fair value gains	(3.7)	(0.2)
Tax on net fair value gains	0.7	–
Adjusted profit after tax net of fair value gains	94.2	143.9
Average adjusted equity	551.5	561.9
ROE	17.1%	25.6%

Average equity	2022 £m	2021 £m
Average equity as per balance sheet	610.3	629.7
Average pension asset	(75.9)	(88.1)
Average deferred tax on pension asset	19.0	20.7
Average derivative financial instruments	(2.6)	(0.5)
Average deferred tax on derivative financial instruments	0.7	0.1
Average adjusted equity	551.5	561.9

APM	Method of calculation	Relevance
Adjusted return on required equity (RORE)	Adjusted profit after tax for the 12 months ended 31 December as a percentage of the Group's average PRA regulatory capital requirement including PRA buffers for the 13 months ended 31 December.	This demonstrates how well the Group's returns are reinvested and is an indicator of its growth potential.

	2022 £m	2021 £m
Adjusted profit before tax	126.6	167.8
Tax charge	(29.4)	(23.7)
Adjusted profit after tax	97.2	144.1
Average equity requirement	438.1	445.8
RORE	22.2%	32.3%

APM	Method of calculation	Relevance
Adjusted return on tangible equity (ROTE)	Adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted tangible equity for the 13 months ended 31 December. Adjusted tangible equity is stated as equity after deducting the Group's pension asset, net of deferred tax, the fair value of derivative financial instruments, net of deferred tax less intangible assets and goodwill.	This demonstrates how well the Group's returns are generated from its tangible equity, removing the impact of whether development has occurred through organic or inorganic growth.

	2022 £m	2021 £m
Adjusted profit before tax	**126.6**	167.8
Tax charge	**(29.4)**	(23.7)
Net fair value gains	**(3.7)**	(0.2)
Tax on net fair value gains	**0.7**	–
Adjusted profit after tax net of fair value gains	**94.2**	143.9
Average tangible equity	**424.5**	446.4
ROTE	**22.2%**	32.2%

Average equity	2022 £m	2021 £m
Average equity as per balance sheet	**610.3**	629.7
Average pension asset	**(75.9)**	(88.1)
Average deferred tax on pension asset	**19.0**	20.7
Average derivative financial instruments	**(2.6)**	(0.5)
Average deferred tax on derivative financial instruments	**0.7**	0.1
Average adjusted equity	**551.5**	561.9
Average intangible assets	**(55.8)**	(44.3)
Average goodwill	**(71.2)**	(71.2)
Average tangible equity	**424.5**	446.4

APM	Method of calculation	Relevance
Funding headroom	Committed bank and debt facilities less borrowings on those facilities and amounts committed to further syndicated bank facility reduction, plus available cash and liquid resources (see note 27 (j) for more details).	This represents the difference between the total amount of committed contractual debt facilities provided by banks, bond holders and other lenders and the amount of funds drawn on those facilities plus cash held on deposit.
Liquidity	Liquidity is the sum of all liquid resources held by Vanquis Bank Limited in the Bank of England reserve account, cash held with relationship bank (net of restricted funds) and available undrawn committed borrowing facilities.	
Customer satisfaction	The rate at which surveyed customers were satisfied (or more than satisfied) with the service they have been provided.	
Common Equity Tier 1 (CET1) ratio	The ratio of the Group's CET1 to the Group's risk-weighted assets measured in accordance with the CRR (see page 169 for more details).	The CET1 ratio is a key measure of whether a firm has adequate CET1 to cover the risks associated with its assets.
Total capital ratio (TCR)	The ratio of the Group's total regulatory capital (own funds) to the Group's risk-weighted assets measured in accordance with the CRR.	The total capital ratio is a key measure of whether a firm has adequate total regulatory capital to cover the risks associated with its assets.
Regulatory capital	Common Equity Tier 1 capital (CET1) is the sum of the Group's equity as calculated in accordance with IFRS, an accrued foreseeable dividend and regulatory adjustments. Tier 2 is the sum of capital instruments meeting the criteria for Tier 2 as set out in the Capital Requirements Regulation (CRR). Total available regulatory capital is the sum of these two elements for the Group (as the Group does not hold any Additional Tier 1 instruments). The calculation is set out under capital risk management on page 169.	

3LOD	Three lines of defence
AGM	Annual General Meeting
APR	Annual percentage rate
BOE	Bank of England
CBI	Central Bank of Ireland
CCD	Consumer Credit Division
CCE	Customer, Culture and Ethics Committee
CDP	Carbon Disclosure Project
CEM	Customer Experience Managers
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Finance Officer
CJRS	Coronavirus Job Retention Scheme
CLI	Credit line increase
CMC	Claims management company
CPA	Continuous Payment Authority
CPC	Corporate Planning Conference
CPO	Chief People Officer
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSOP	Company Share Option Plan
CR	Corporate responsibility
DAM	Delegated Authorities Manual
DBP	Deferred Bonus Plan
DJSI World	Dow Jones Sustainability World Indices
DPO	Data Protection Officer
DRP	Directors' Remuneration Policy
DRR	Directors' Remuneration Report
DT	Default termination
DTR	Disclosure Guidance and Transparency Rules
DWF	Discount Window Facility
EAD	Exposure at default
EAP	Employee Assistance Programme
EBT	Employee Benefit Trust
ECL	Expected credit losses
EIR	Effective interest rate
EMS	Environmental Management System
EMTN	Euro Medium-Term Notes
EPS	Earnings per share
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
EWI	Early warning indicators
FCA	Financial Conduct Authority
FLCR	First Line Controls Review
FOS	Financial Ombudsman Service
FY	Financial year
GERC	Group Executive Risk Committee
GM	General Meeting
HMRC	Her Majesty's Revenue and Customs
HQLA	High-quality liquid assets
HR	Human Resources
IAS	International Accounting Standards
ICAAP	Internal Capital Adequacy Assessment Process
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IR	Investor relations
KPI	Key performance indicators
LBT	Loss before tax
LCR	Liquidity coverage ratio
LGD	Loss given default
LIBOR	London Inter-Bank Offered Rate
LSO	Liquidity Support Operations
LTIS	Long Term Incentive Scheme
MB	Moneybarn
MP	Member of Parliament
NEET	Not in Education, Employment or Training
NHS	National Health Service
NIM	Net interest margin
OCI	Other comprehensive income
ORB	Order Book for Retail Bonds
PBT	Profit before tax
PD	Probability of default
PFEP	Provident Financial Equity Plan
PFG	Provident Financial Group plc
PFH	Provident Financial Holdings
PFMSL	Provident Financial Management Services Limited
PRA	Prudential Regulation Authority
PSD2	Payment Services Directive
PSP	Performance Share Plan
RAF	Risk Appetite Framework
RAM	Risk-adjusted margin
RBA	Role-based allowance
RC	Risk Committee
RCF	Revolving credit facility
RemCo	Remuneration Committee
RMF	Risk Management Framework
ROE	Return on equity
ROP	Release of provisions
RORE	Return on required equity
ROTE	Return on tangible equity
RSP	Restricted Share Plan
RTO	Return to office
SAYE	Save As You Earn
SBTi	Science Based Targets initiative
SDG	Sustainable Development Goal
SICR	Significant increase in credit risk
SID	Senior Independent Director
SIP	Social Impact Programme
SIP	Share Incentive Plan
SMCR	Senior Managers and Certification Regime
SMF	Sterling Monetary Framework
SONIA	Sterling Overnight Index Average
TCFD	Task Force on Climate-related Financial Disclosures
TFSME	Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises
TSR	Total shareholder return
UN	United Nations
UURBS	Unfunded Unapproved Retirement Benefits Scheme
VBC	Vanquis Bank cards
VLOG	Video log
VREQ	Voluntary Requirements Notice
VT	Voluntary termination

Share price
The Company's shares are listed on the London Stock Exchange under share code 'VANQ'. The share price is quoted daily in a number of national newspapers and is available on the Group's website at www.vanquisbankinggroup.com.

Tax on dividends
The following information is intended to provide general guidance to individuals who are tax resident in the UK. It does not constitute professional advice. Shareholders who are in any doubt as to their personal tax position should seek their own professional advice, as should shareholders who are not resident in the UK.

A UK tax resident individual shareholder will be taxed on the total cash dividends you receive (the amount paid into your bank account) above the annual tax-free dividend allowance at the following rates:

- 8.75% for basic rate taxpayers (7.5% up to 5 April 2022);
- 33.75% for higher-rate taxpayers (32.5% up to 5 April 2022); and
- 39.35% for additional rate taxpayers (38.1% up to 5 April 2022).

The dividend allowance means that you can receive certain amounts of dividends tax free no matter what other non-dividend income you have in the tax year. The dividend allowance is £2,000 from 2018/19 through to 2022/23. The allowance will reduce to £1,000 in 2023/24 and £500 from 2024/25 onwards.

A final dividend will be taxable at the time that it is announced.

Registrar
The Company's registrar is:

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Shareholder helpline
For information relating to your shares call:
+44 (0)371 664 0300

Website helpline
For information on using our website call:
+44 (0)371 664 0391

Calls to 0371 are charged at the standard geographic rate and will vary by provider.

Calls outside the United Kingdom are charged at the applicable international rate.

We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Link Signal Shares
Link Asset Services offers a share portal service which enables registered shareholders to manage their shareholdings quickly and easily online. Once registered for this service, you will have access to your personal shareholding and a range of services including: setting up or amending dividend bank mandates, proxy voting and amending personal details. For further information visit www.signalshares.com.

Link Dividend Reinvestment Plan
Link Asset Services offers a Dividend Reinvestment Plan whereby shareholders can acquire further shares in the Company by using their cash dividends to buy additional shares. For further information contact Link Asset Services:

Telephone: 0371 664 0381 (from within the UK)

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Telephone: +371 664 0381 (from outside the UK)

Special requirements
A PDF version of the full Annual Report and Financial Statements is available on our website.

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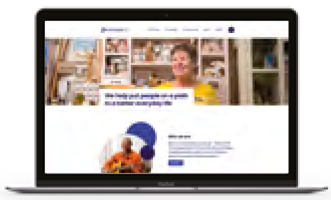

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